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**TENSIONS IN CORPORATE SOCIAL RESPONSIBILITY IN FINNISH SMALL AND
MEDIUM SIZED ENTERPRISES**

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Title Tensions in corporate social responsibility in Finnish small and medium sized enterprises			
Subject Management	Type of the degree Master's thesis	Time of publication June 2020	Number of pages 96+2
Abstract <p>This thesis studies the tensions owner-managers of Finnish SMEs face when engaging in CSR activities, as well as how those tensions are experienced and managed by the owner-managers. It takes a paradox approach to tensions, as it understands that tensions are innate to CSR and consist of competing goals between the dimensions of CSR – economic, environmental and social. The study aims to open up the understanding of paradoxical tensions in CSR and their influence on the management of SMEs.</p> <p>The thesis begins with a literature review of the CSR concept, introducing its chameleon nature and historical changes. The concept is then further specified to fit the Finnish and SME context, before moving to introducing tensions in CSR and their management. The thesis uses a qualitative approach and the data was gathered by interviewing owner-managers of five Finnish SMEs.</p> <p>As CSR is becoming critical for many companies and they find ways to integrate CSR to their businesses, it's evident that they will also growingly face tensions in their CSR engagement. The findings of this study provide information in the different levels, change and context that paradoxical tensions manifest in as well as between the traditional CSR dimensions. The findings suggest that Finnish SMEs face tensions between the individual goals of owner-managers and the company's or industry's goals or requirements. Paradoxical tension further manifest in the changes that take place to introduce more responsible practices, as well as between the long-term goals and short-term needs.</p> <p>To manage tensions, the results suggest that SMEs integrate CSR to their core operations in order to act responsible and not to use CSR as an additional entity to maximise profits. Integration is utilised to strive for a balance between the competing goals of CSR. The study demonstrates that Finnish SMEs mainly use proactive strategies to manage paradoxical tensions where a balance is not possible, which reduce or prevent the occurrence of tensions. Contrastingly, some owner-managers are reluctant to acknowledge the tensions due to their impact to the core business, thus denying or justifying the tensions by moving it to a level that satisfies different stakeholders and shareholders. In this way, they convince themselves and others that as the company operates on a responsible basis, no tensions arise. The results further emphasise the usage of formal measurements, reporting or certificates to demonstrate CSR engagement, going against the previous understanding of SMEs informal CSR activities.</p>			
Keywords Corporate Social Responsibility, Corporate Sustainability, Tension, Paradox, SME			
Additional information			

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1 INTRODUCTION

This study focuses on understanding the tensions owner-managers in Finnish small and medium sized enterprises (SMEs) face when engaging in corporate social responsibility (CSR), and how are those tensions experienced and managed. The introduction chapter of this research provides the reader an overall view of the conducted research. The chapter first discusses the background of the study and how the research gap has been identified. Once the purpose of the study has been discussed, the objectives and research questions are introduced, and the research methods presented. Finally, the introduction chapter presents the structure of this thesis before moving to the detailed discussion of the concepts and theory.

1.1 Background of the study

Corporate social responsibility (CSR) has received growing attention from both academics as well as the corporate world. Even though CSR practices are voluntary for most companies in Finland, it has become increasingly obligatory to engage in CSR activities. Companies are under growing pressure to engage in activities related to CSR (Susanto, 2012; Castejon & Lopez, 2016), with many companies making conscious choices to put sustainable practices to action by going beyond what is legally required from them (Jenkins, 2006). A rising amount of companies worldwide are involved in CSR activities, due to the growing awareness of environmental and societal issues that drive people's interest in the CSR practices of companies (The Nielsen Company, 2014). While the larger companies are required to disclose their CSR activities (European Commission, 2020b), the same does not apply to small and medium sized enterprises (SMEs). However, with the increased awareness of environmental and societal issues, even the smaller companies are growingly engaging in CSR activities.

The previous literature of CSR has mostly focused on large companies, with a limited discussion of SMEs, due to an understanding that large organizations are the heart of economy and the CSR theories can be scaled down to fit SMEs (Vo, 2011). The European Union (EU) laws require large public-interest companies to disclose information on their CSR practices (European Commission, 2020b), yet the same is not true with SMEs, even though they make up 99% of the European companies and

approximately two-thirds of the jobs in the private sector, thus playing a crucial part of the European economy (Maanavilja, 2010, p.27; Vo, 2011). However, the literature has started to recognize the importance of CSR practices in SMEs as well as the differences in the participation in CSR practices between large companies and SMEs (Jenkins, 2006; Vo, 2011; Elford & Daub, 2019). With the significant number of SMEs in most economies, their impact on social and environmental issues cannot go unnoticed.

Most Finnish companies are SMEs and are therefore not required to participate in any CSR activities that go beyond their legal requirements. SMEs are able to choose whether or not they engage in CSR practices, as well as what type of CSR practices they want to engage in. Even with no legal requirements, according to FIBS' (2019) study on CSR in Finland, 98% of smaller companies consider CSR essential for their company. Moreover, Finland, as well as the other Nordic countries, rank exceptionally high in terms of CSR, mostly due to the historical joint effort between the state, companies and civil society, that build on the societal wellbeing of the countries (Strand, Freeman & Hockerts, 2015; Midttun, 2018, p.193). The SME context influences the way companies engage in CSR activities, mainly due to their limitations and differences in the structure of the company. These differences have impacts on how SMEs approach CSR activities, and further it creates unique challenges that differ from the larger companies. The Finnish welfare society and cultural context further leads the SMEs to have differences in their CSR engagement when compared to other regions. Therefore, it is vital to understand what motivates Finnish SMEs to engage in CSR, as well as what hinders their involvement.

It is commonly acknowledged that CSR entails three interdependent dimensions: an economic, an environmental and a social one (WCED, 1987; Elkington, 1997). In order for companies to act in a responsible way, they are required to balance sustainability aspects in all the three dimensions simultaneously (Elkington, 1997), even when they may contradict with each other (Hahn, Pinkse, Preuss & Figge, 2015). The decision makers in companies often operate in organisational contexts that are complex and full of tensions, thus creating situations where managers need to simultaneously address several desirable, yet conflicting, economic, environmental and social outcomes at both firm as well as societal levels (Hahn, Pinkse, Preuss &

Figge, 2014). Such tensions and their conflicting goals may create paradoxes for managers as they are required to balance all the three dimensions, which may disturb the organisational harmony. As the three dimensions tend to have conflicting goals, especially between the economic and social or environmental impacts, tensions are therefore innate to CSR.

While the majority of CSR research has focused on the positive outcomes, the win-win situations of CSR engagement, the conflicts and tensions between the economic, environmental and social dimensions have not received a lot of attention in the literature (Hahn, Figge, Pinkse, & Preuss, 2010). While there is an increasing attention given to the tension managers face when engaging in CSR, relatively little is known about how managers navigate and manage the tensions that are created between the three dimensions – especially in SMEs (Van der Byl & Slawinski, 2015). With the rise in CSR engagement by organisations, scholars should look beyond the win-win and trade-off approaches to CSR and rather shift to understand the innate tensions CSR engagement creates (Margolis & Walsh, 2003; Van der Byl & Slawinski, 2015). According to previous studies, the tensions in CSR engagement are managed in two different ways: either companies adopt a paradoxical approach to the tensions, where they accept and manage the created tensions, or focus on the safer business case approach, where tensions are ignored or chosen to focus on the economic gain of CSR engagement (Hahn, Figge, Pinkse & Preuss, 2018).

Therefore, it is vital to understand how companies manage the tensions in CSR. Gaining knowledge how SMEs in the Finnish setting manage tensions can lead to opportunities for companies to advance their competitive advantage and their CSR activities. Especially, the paradox approach to managing tensions can provide answers to managers on how to respond to the competing goals of sustainability. Managing paradoxical tensions requires them to be accepted (Lewis, 2000), thus it is important to consider are such tensions actually accepted by owner-managers of SMEs. Furthermore, as companies strive to become more responsible and integrate CSR to their operations, they will consequently face tensions. Thus, as the trend of CSR and sustainability are evident in the academic and corporate worlds, it's vital to broaden the understanding of how paradoxical tensions are managed.

1.2 Objective & research questions

With the growing interest in CSR by different companies around the world and the increasing pressure of stakeholders demanding responsible practices, it is clear that CSR is not solely a matter of large companies, but SMEs are waking up to the importance of implementing CSR in their companies. While CSR has been studied over the decades from many perspectives and focused mostly on the achieved win-wins of CSR practices, academics have started to broaden their perspectives to understand the innate tensions in CSR engagement (Van der Byl & Slawinski, 2015). Yet, there is a clear gap in the literature of studies that analyse the tensions created by CSR engagement and how those tensions are managed (Hahn et al., 2014). Van der Byl and Slawinski (2015) analysed 149 published articles in 15 management journals and found that most previous studies of CSR focused on a win-win or trade-off approach, with very few empirical studies concentrating on the “dark side” of CSR. Thus, one of the objectives of this research is to understand the paradoxical tensions that manifest in CSR. Moreover, many studies of CSR reflect on larger companies (Elfrod & Daub, 2019), even if it’s evident that SMEs are crucial actors within CSR (Looser & Wehrmeyer, 2015), due to their sheer number and economic impact (Maanavilja, 2010, p.27). As the SME context influences the CSR engagement of companies, the tensions manifesting in SMEs’ CSR activities may differ from the larger corporations and thus, the study tries to understand the underlying differences in the CSR activities of Finnish SMEs as well as what types of tensions emerge.

The management of paradoxes has been studied previously, however, the management of paradoxical tensions in CSR has only started to gain attention in the past few years. With the previous literature focusing mainly on the business case approach to managing tensions, a gap in understanding how companies manage tensions between competing goals exists. Such paradoxical tensions where one competing goal cannot be chosen over another requires a management style that accepts the innate paradoxical tensions in CSR (Lewis, 2000). Few of the emerging studies of paradoxical tension management reflect that tensions emerge in different levels, in changes that take place and operate in temporal and spatial frames (Hahn et al., 2015). Acceptance has been defined as the first and most crucial step to managing paradoxical tensions (Lewis, 2000), yet at the same time, many studies have concluded that tensions are reluctantly

acknowledged by managers (Daddi, Ceglia, Bianchi & de Barcellos, 2018), with managers justifying and rationalising the tensions in order to move them away from the paradoxical reality in which the companies operate (González-González, Bretones, González-Martínez & Francés-Gómez, 2018).

This research aims to fill the gap identified in the existing academic literature and focuses the research to understand the underlying factors that create tensions when engaging in CSR activities in Finnish SMEs, as well as how these paradoxical tensions are perceived and managed. Further, this research aims to narrow down the gap by understanding how smaller businesses engage in CSR and what types of tensions emerge in the SME context. As the paradoxical tensions have received very limited amount of research and the results emphasise the companies utilising a paradox approach to tension, the research focused on the paradoxes in CSR. Based on the research gaps identified in the existing literature, the lack of research focusing on the paradoxical tensions of Finnish SMEs engaging in CSR practices, the research aims to answer the following research questions:

“What types of tensions emerge as a result of engaging in CSR practices in Finnish SMEs?”

Further, the second question seeks to attain more detailed understanding of the management of those tensions:

“How are the paradoxical tensions experienced and managed by owner-managers?”

With these research questions in mind, the study aims to understand the tensions that arise when engaging in CSR practices and how companies manage these tensions. To study this in a real-life context, interviews with six owner-managers of five Finnish SMEs that are engaging in CSR practices in various industries were conducted.

The aim of the research was to contribute to the existing literature of CSR tensions by demonstrating how CSR practices may lead to paradoxical tensions in Finnish SMEs and how the owner-managers experience them. The objectives of this thesis emphasise the paradox approach due to its rising interest in the academic world, as well as its role

in successful management of tensions in CSR, that does not minimise the companies' involvement in sustainable development. Keeping up with the changing world and growing responsibilities of companies is challenging for any owner or manager that lead organisations. Especially, due to the contradictory of CSR elements, when engaging in CSR, owner-managers operate in paradoxical organisational realities that create tensions in the decision-making processes. The main findings of the study contributed to the understanding of the tensions that owner-managers of Finnish SMEs face. These tensions were carefully analysed and interpreted to understand the characteristics and origins of the tensions. This study contributes to the emerging literature of managing paradoxical tensions that manifest in CSR and emphasises on the management strategies of these tensions in Finnish SMEs.

1.3 Research methods

The research is conducted using a qualitative abductive research process that aims to understand the types of tensions Finnish SMEs encounter in their CSR activities and how the owner-managers experience and manage these tensions. To answer these questions, this research firstly introduces a theoretical understanding of the chosen topic before moving to the methodology and research design. The research methods emphasise how the empirical part of this study was conducted.

The theoretical part of the thesis aims to understand CSR from a national and company size perspectives, as well as analyses the different approaches to tensions and how they are managed. The literature review focuses on the previous studies conducted in order to establish a general understanding of the research topic. The empirical part follows a qualitative approach, emphasising the experiences and perspectives of the participants. Qualitative research aims to understand the real-life experiences of the participants through their history and social context. (Klenke, Wallace & Martin, 2016, p.10.) The abductive reasoning involves integration and justification of novel ideas that are developed further into new knowledge (Eriksson & Lindström, 1997). As the topic has not been studied excessively in Finland, the qualitative abductive research process opens up the novel topic in depth, by firstly gaining a broad understanding of the topic through theory and then moving to the data collection and analysis to specify the theoretical understanding and allowing new concepts to emerge.

The empirical research was conducted by interviewing the owner-managers of five SMEs in Finland. The semi-structured interviews provide depth understanding of the studied social phenomena, as interviews allow the gathering of rich data that is based on the interviewees' experiences from different roles and situations (Myers, 2013, p.119). The interviews were conducted as semi-structured to further allow topics to emerge freely and openly, as well as to make specifications on the answers. The interview questions were formulated after the extensive literature review of CSR, that guided the interview topics and questions.

Once the data had been gathered and before the analysis could start, the data was carefully transcribed. The data was then analysed using the data analysis software NVivo to code the findings, and the Gioia methodology to combine and categorise the codes into themes and dimensions (Gioia, Corely & Hamilton, 2012). Using the Gioia methodology assists in understanding the sheer amount of data, as the process formulates connections between the data and the pre-established understanding of the theory, by allowing terms and codes and categories to emerge from the research (Gioia et al., 2012). The methodology follows the idea of grounded theory, where data is allowed to lead the initial coding and theory building, by allowing theories to emerge from the data (Hodkinson, 2008, pp.83-84). Therefore, this research followed a pre-understanding of theoretical concepts that influenced the data analysis, yet it allowed the interplay between the analysis and theory sampling, that allowed theories to emerge from the data.

1.4 Structure of the study

This study includes three main parts: the theoretical understanding of the concepts through a literature review in chapter 2, the empirical part discussing the research methods and data handling of the study in chapter 3 as well as the results and analysis of the findings in chapter 4 and 5, with the chapter 5 further discussing the limitations, managerial implications and possibilities for further research. The first chapter of this thesis allows the reader to gain an introduction to the topic as well as the research as a whole. It describes the purpose, objective and research gap of the study, with further explaining the research methods and structure of the study.

The second chapter defines the main concepts of the study. It starts off by introducing the concept of CSR and the inclusive characteristics of the concept. In order to narrow down the concept and further understand it from a cultural and national setting, the Nordic model of CSR and characteristics of Finnish CSR is introduced in order to express the differences of CSR in this national setting. The theoretical framework then moves towards understanding the SME context that influences CSR. Once the concept is explained in the national and size contexts, the theoretical framework moves towards understanding the tension in CSR. This emphasises the approaches to tensions as well as how are the tensions managed utilising a paradox approach. Thus, the second chapter introduces the reader to ways tensions emerge in the organisational setting and what type of management approaches are mainly taken.

When the theoretical framework is built, the study moves to the third chapter that describes the research methodology. It emphasises why an abductive qualitative research method was chosen, how the data was collected and further analysed. The chapter ends by introducing the data structure that has been conducted based on the Gioia methodology. It describes how the codes, themes and dimensions are categorised and how the data was analysed to find connections between the interviews. Chapter 4 then moves towards opening up the data structure and the results of the study by carefully analysing the interviews. Once the results have been presented the study concludes to its last chapter. Chapter 5 discusses the results and findings of the study in depth and lastly presents managerial implications, limitations of the study and suggestions for further research.

2 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) covers the relationship between *corporations* and the *societies* in which they interact, and the *responsibilities* that exist both side of the relationship. CSR is the corporation's obligation to consider the interest of their stakeholders and the social, environmental and economic consequences of their business activities and policies. Corporations engage in CSR in order to operate in a way that enhances the society and environment, rather than having a negative impact on them. (Werther & Chandler, 2011, pp.6-9.) CSR related actions are described as the actions companies take that go beyond their legal requirements and advance social or environmental goals (European Commission, 2020b). However, the definition and concept of CSR has changed over time, making it more difficult to define. Gond and Moon (2011) described CSR as a "chameleon" due to its changing nature both as an academic and managerial concept. Thus, CSR has many definitions and can be considered to have differences in the meaning depending on who you ask from. CSR has been defined by many different scholars and in many different ways (Dahlsrud, 2006), yet it is commonly acknowledged that it entitles three interdependent dimensions introduced in the triple bottom line: *an economic, an environmental and a social one* (WCED, 1987; Elkington, 1997).

This study's theoretical framework is constructed by first introducing the concept of CSR and its development. This emphasise the broadness and changing nature of the concept, rather than trying to define the concept as something very specific. Furthermore, to narrow down and understand CSR from the cultural and company size perspectives, this literature review underlines how CSR differs when considered from a Finnish cultural context as well as from an SME perspective. It is vital to understand that the cultural and company size contexts influence CSR, and thus CSR in Finnish SMEs has different characteristics than larger corporations in other regions. The literature review further aims to understand the tensions in CSR engagement, thus the approaches to tensions are introduced as well as how paradoxical tensions are managed and analysed.

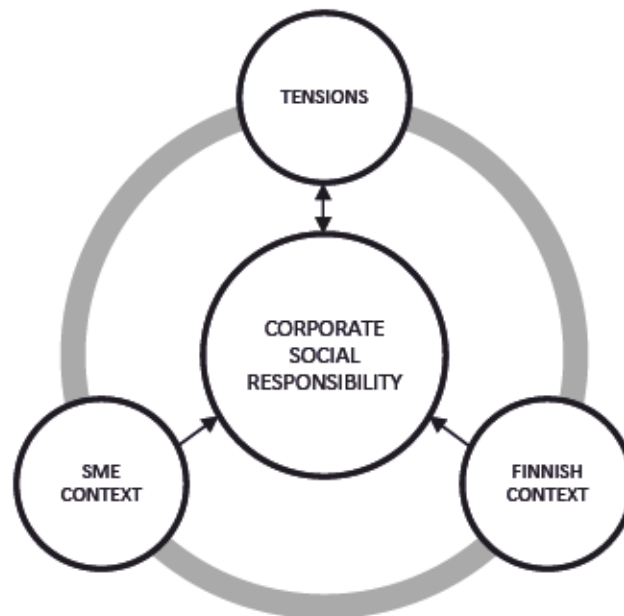


Figure 1. Theoretical framework.

The picture above (figure 1) illustrates how the theoretical framework has been constructed. The theoretical understanding builds on the core of the figure, which is CSR. To understand CSR in the Finnish and SME context, the framework emphasises how these influence CSR and how it shapes the CSR in the country and firm context. Further, it illustrates how tensions influence CSR, as well as how CSR enables the tensions to emerge in the first place. Thus, the arrows show the relationship between the theoretical concepts and how they affect each other.

2.1 Development of Corporate Social Responsibility concept

Corporate social responsibility has been widely argued by academic scholars over the decades (e.g. Carroll, 1999; Dahlsrud, 2006), with excessive amount of research and theories wrapped around the concept. The CSR framework can be considered highly broad, as the definitions to what businesses are responsible for has varied over time. While the ethical debate related to businesses can be traced back thousands of years (Visser, 2013, p.18), it is commonly claimed that the CSR ideology emerged in the US in the late 19th century, starting as philanthropical activities of leading captains of industry who shaped the social responsibility in their time, due to the notion that big corporations have obligations to serve the general public (Carroll, 1991; Gond & Moon, 2011). It has been widely argued that Howard R. Bowen's (1953) *Social*

Responsibilities of the Businessman marked the beginning of the modern-day CSR and laid the foundation for the discipline. Bowen (1953) argued, that while CSR is not the solution for all issues, it contains an important truth that should guide businesses in the future, as the large businesses are vital centres of power and decision making, thus touching the lives of citizens at many points. (Carroll, 1999.)

In the 1960s and 1970s, the CSR literature developed significantly, due to the increasing attention of academics. During this time, academics attempted to establish more accurately what CSR actually meant and a business case approach to CSR started to formulate. Davis (1960) introduced the “*Iron Law of Responsibility*”, which emphasized the economic gain of socially responsible conduct in the long run. It was in the 1970s that the definitions of CSR started to spread and become more specific. (Carroll, 1999.) Even with the steadily improving labour conditions and companies tackling environmental issues such as waste, a widespread agreement of what exactly was business’ obligation to the society was lacking. In 1979, Archie Carroll set forward to fill this void by providing the first well-known definition for CSR. (Visser, 2013, p.23.) This four-part definition entitled that the social responsibility of business incorporates economic, legal, ethical and philanthropical expectations that society has of business at any given time (Carroll, 1991).

The approaches in the 1960s and 1970s followed a notion that for companies to engage in CSR and use their resources, they should gain something out of the exchange, such as competitive advantage or brand value. If the sole idea of an organisation is to make profits, then the usage of resources on CSR rely on the notion that the organisation benefits from it. Carroll continued his work and later presented the definition as a pyramid of weighted importance, with economic responsibilities being the most important, building the foundation of the pyramid, followed by legal and ethical dimensions, and lastly philanthropical responsibilities providing the top of the pyramid (Carroll, 1991; Visser, 2013, p.23). While the concept of CSR intrigued academics in the 1970s and 1980s, it was the 1990s when the CSR concept took off in the academic world, with scholars rather than rejecting it, added to the CSR body of literature and the corporate governance movement emerged (Carroll, 1999; Visser, 2013, p.25).

Still in the 1990s much of the emphasis was on the eco-efficiency and clean production that created win-win situations for business, where environmental aspects were improved with simultaneously producing higher financial returns. However, during this time the focus of CSR practices was on the financial aspects, rather than broader economic impacts or social dimensions, such as human rights and labour issues. (Visser, 2013, p.27.) With these issues in mind, Elkington (1997) presented a concept, where businesses are sustainable when they live up to “*the triple bottom line*” of economic prosperity, environmental quality and social justice. According to Elkington (1997), companies need to live up to the triple bottom line and commit to social and environmental concerns as much as they do on profits, even though the three dimensions are unrelated, interdependent and partially in conflict with one another. This was the shift from a win-win approach to CSR to an approach where companies are responsible for their social and environmental consequences, no matter the financial implications.

It is the recent years’ support as well as demand for CSR activity that has pushed companies to go beyond their legal requirements to meet global social and environmental goals. The growing stakeholder expectations of responsible and sustainable business practices and the increasing interest in the business opportunities created by innovative CSR approaches, drive the CSR agenda forward (Maanavilja, 2010). Starting as an American concept, the traditional CSR has moved from the US focus to a global phenomenon, as managers around the world face problems arising from societal change. In the past few years, CSR and corporate sustainability (CS) have received momentous media and public attention, with trends emphasising for example transparency, carbon neutrality and human rights in business action (KPMG, 2017; McClimon, 2020). In 2015 crucial agreements for sustainability, such as the United Nation Sustainable Development Goals (UN SDGs) and the Paris Agreement on climate change action, were pledged by the international community (Carrots & Sticks, 2016). Moreover, there has been a global increase in regulatory requirements for CSR reporting as the information is considered relevant by companies’ stakeholder and shareholders (Gulenko, 2018). Since 2017 EU laws require large companies to disclose information on how they manage social and environmental challenges (European Commission, 2020a) and furthermore, the European Commission promotes

and encourages organisations to follow the international guidelines and principles of CSR in the EU (European Commission, 2020b).

Due to the increased stakeholder pressure and the regulatory requirements for CSR practices, companies around the world are increasing their CSR engagement and joining and following global initiatives. Many firms are adopting management systems, reporting frameworks and guidelines to showcase their investment and involvement in CSR (Olkkonen & Quarshie, 2019, pp.85-86). The global trends of CSR currently include issues such as linking CSR activity to the UN SDGs, acknowledging human rights in business action, setting carbon targets and paying attention to transparency (KPMG, 2017; PricewaterhouseCoopers, 2018; McClimon, 2020). Furthermore, the stakeholder pressure for companies to act in a responsible way is increasing the adaptation of CSR actions (Kowalczyk & Kucharska, 2019) and especially the younger generations are requiring more transparency and responsibility from companies (The Nielsen Company, 2015). Thus, CSR practices are becoming increasingly important for companies around the globe in order to stay in the game. Thus, the theoretical understanding of CSR emphasises the movement from economic responsibilities to a more comprehensive understanding of companies' responsibilities.

The brief historical review of CSR highlights the move within the field and how the concept of CSR is continuously changing. For a long time, CSR has been the commonly used expression when discussing companies' responsibilities, yet the expression *sustainability* is gaining favour over the traditional CSR with both academics and corporate world (Strand et al., 2015). It is important to note that CSR in this research discusses sustainability and responsibilities of companies, rather than solely *corporate social responsibility*. In this research, the expressions CSR and CS are used as "umbrella constructs", where different types of expressions for broad global concepts are emphasised in different times (Hirsch & Levin, 1999), in order to understand and connect the "historical" expression CSR and the emerging expression sustainability as a broader understanding of companies responsibility activities of companies.

2.1.1 The three dimensions of CSR

As it has been established, CSR is a wide concept with multiple different definitions and origins. Thus, this research does not aim to provide a specific definition for the concept and emphasizes the commonly used definition of three dimensions – economic, environmental and social. As the research understands CSR and CS as umbrella constructs, this research will continue on by using the expression CSR to understand the expressions that fall under the umbrella – corporate sustainability and corporate social responsibility. Generally, sustainability reflects the “ability to be maintained at a certain level” (Kreisel, 2017), with sustainable development ensuring that the present needs are met without compromising the ability of the future generations to meet their needs (WCED, 1987). Sustainability is used to describe the responsibilities of companies to act in a way that sustains economic, environmental and social development, rather than diminishes them. In this research, the triple bottom line is used to understand and categorise the responsibilities companies face when engaging in CSR activities in the three dimensions.

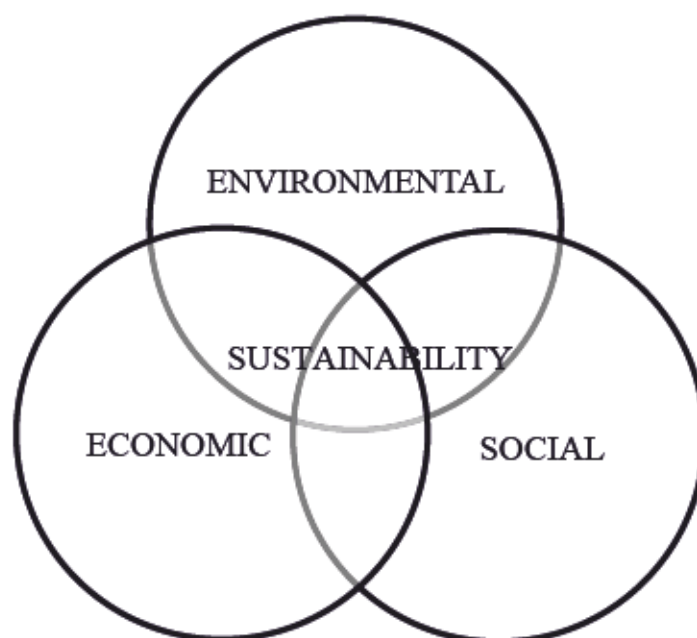


Figure 2. The triple bottom line.

The idea behind the triple bottom line (TBL) is that corporation should not focus solely on the economic value they add, but further on the environmental and social value they add or frankly, destroy (Elkington, 2004). The image above (figure 2) illustrates the

idea behind TBL, where sustainability is created when all the three dimensions interrelate and have equal emphasis. While the TBL is used as an accounting tool to measure performance in all the three dimensions, in a broader sense, the term emphasises a set of values, issues and processes companies are required to address in order to generate added value in the three dimensions and maximise the positive impacts of their actions (Jamali, 2006). The traditional bottom line that focuses on profits can be generally considered the most important factor to an organization, yet the triple bottom line focuses on providing a bottom line for all the three dimensions, rather than focusing solely on the economic one. While success from an economic perspective can be measured in terms of profits and loss, the success of sustainability goals requires further examination of the company's social and environmental impacts. Elkington (1994), argued that organisations should prepare three different bottom lines in order to measure the true cost of doing business.

The economic perspective is imperative, as without economic viability a company will not fulfil its purpose and may even go bankrupt. The primary goal or purpose of generating profits for shareholders can be considered to extend the life expectancy of the firm, thus generating more jobs and growth of the overall economy (Werther & Chandler, 2011, pp.3-4). Therefore, by prioritising the economic perspective and by focusing on shareholders, it can create possibility of benefits for other stakeholders. One of the most commonly known frameworks for CSR is Carroll's (1999) pyramid of weighted importance, with economic responsibilities being the most important, building the foundation of the pyramid, followed by legal and ethical dimensions, and lastly philanthropical responsibilities providing the top of the pyramid. However, when companies focus solely on the economic responsibilities, they are not able to move up on the pyramid and focus on the other responsibilities as when they introduce new practices, it tends to influence the economic aspect, thus moving the company back to the bottom of the pyramid.

Yet, in today's world if organisations want to fulfil their primary purpose of economic responsibilities, they need to consider in their strategy outlook a broader stakeholder perspective in order to meet the growing societal expectations of their stakeholders (Werther & Chandler, 2011, p.8). The TBL does not exclude the economic perspective but seeks to find balance between the three dimensions in such a way that it is not only

the organisation that benefits, but everyone gains in the long-term, the shareholders as well as all the other stakeholders. The purpose of the triple bottom line is to encourage sustainable development and to focus on the overall impact an organization's activities has on the world.

2.2 Corporate Social Responsibility in Finland

To build on the theoretical understanding of CSR, the Finnish context of CSR is introduced. The aim is to reflect on how the country context and its culture have influenced CSR as well as what characteristics are common for Finnish CSR. It emphasises the differences between the Nordic countries political-economic institutions and cultural-ideological values (Gjølberg, 2010) compared with the traditional American concept of CSR.

2.2.1 Nordic Model

When compared globally, the Nordic countries – Finland, Iceland, Denmark, Norway and Sweden – rank exceptionally high in terms of their CSR performance (Strand et al, 2015; Midttun, 2018, p.193). The Nordic countries are well known for their welfare and collaboration traditions, thus nurturing the CSR ideology that is embedded in their culture (Witoszek & Midttun, 2018, pp.10-14; Olkkonen & Quarshie, 2019, p.2). Due to these traditions, Nordic companies have been involved in social issues for a long time, with the first industrial companies taking active roles in enhancing local communities and education, as well as offering a wide array of social benefits to their workforce (Olkkonen & Quarshie, 2019, p.2). However, the concept of CSR, originating from an American, business-driven concept of taking actions beyond compliance and therefore does not align with the Nordic political-economic systems (Gjølberg, 2010). Due to the cultural and country context, it is important to recognise that CSR as a concept in Finland (and rest of the Nordics) differs from the traditional neo-liberal American concept of CSR (Midttun, 2018, p.187). National differences in CSR are generally explained by the country-specific historical institutional frameworks that shape the national business systems (Matten & Moon, 2008).

The regional or country context plays an essential role in defining the governmental policies and company's practices concerning CSR. The "*Nordic Model*" refers to the many similarities in the political-economic institutions and cultural-ideological values that the Nordic governments and companies share (Gjølberg, 2010). While the goals of CSR practices may be similar in the different country contexts, the means of achieving them may differ greatly due to the differences in responsibilities the companies face in their cultural settings (Midttun, 2018, pp.188-189). The Nordic welfare state provides its citizens universal public services (Olkkonen & Quarshie, 2019, p.18) and a unique feature of the Nordic capitalism is the central role the state plays in the economy (Gjølberg, 2010). The large public sector comes with high taxation for the citizens and the companies; however, the taxes provide welfare services and social safety net that provides equal opportunities for all citizens. The welfare state with its strong public institutions, has emancipated companies from responsibilities that in the Nordics belong to the public domain (Olkkonen & Quarshie, p.17).

Gjølberg (2010) argued that there are three main aspects to the Nordic state-market-society model that do not correlate with the business-society model of CSR, thus creating conflicts between the traditional CSR and the Nordic Model. Firstly, in the Nordic context, social and environmental issues are considered to belong to the public domain, while CSR implicitly grants discretionary power to companies and emphasises their voluntary actions. Secondly, in CSR trade unions are considered as stakeholders, while in the Nordic setting the trade unions have strong influence on corporate decision-making. The economic policies are formed in tripartite negotiations between the companies, trade unions and the government (Olkkonen & Quarshie, 2019, p.18). Thirdly, the Nordic governments have a strong international profile at addressing sustainable development, environmental protection and human rights, which may conflict with the focus on profit-maximising of CSR. (Gjølberg, 2010.) Furthermore, the Nordic companies tend to be sceptic towards the business-driven voluntary CSR approaches and tend to use CSR selectively to ensure the validity of their CSR policies (Midttun, Gjølberg, Kourula, Sweet & Vallentin, 2015).

Nevertheless, even with differences in the practices, the Nordic region tends to perform well in comparison to other countries in their CSR performance. The Nordic model

includes a strong state interference to social responsibility, privileges of trade unions, adoption of global CSR initiatives and scepticism towards the traditional CSR (Gjølberg, 2010; Midttun et al., 2015; Olkkonen & Quarshie, 2019). The Nordic countries have culturally and institutionally embedded traditions that boost CSR practices and performance, as well as highlight stakeholder engagement (Strand et al., 2015). These unique features and cultural traits assist the adoption of CSR in the Finnish setting, even if it may be interpreted differently than traditional CSR. In the Nordic model, companies have demonstrated traditions of implicit engagement with CSR, as the concerns of stakeholders are promoted by the cultural norms and values, as well as the institutional structures (Strand et al., 2015).

2.2.2 Characteristics of Finnish CSR

The most generally used term in Finnish for CSR is *yhteiskuntavastuu*, translating to “societal responsibility”, yet in the corporate world the term *yritysvastuu*, translating to “corporate responsibility”, is more commonly used. Moreover, words such as *vastuullisuus* (responsibility) and *kestävyys* (sustainability) are used when discussing CSR in the Finnish context. (Olkkonen & Quarshie, 2019, p.4.) These terms are used in conjunction in this study, in order to streamline the understanding of CSR in the Finnish context. Furthermore, as CSR is a concept that has evolved over the years and keeps adapting to the responsibilities organisations face in the different times, it’s important to acknowledge the different terms organisations use when discussing CSR.

There is no hard law in Finland specifically for CSR, with the Finnish Limited Liability Companies Act stating that the core responsibility and purpose of companies is to generate profits for their shareholders (Limited Liability Companies Act, 21.7.2006/624 5 §). Moreover, both national and EU-level laws and directives regulate the responsibilities of companies (Olkkonen & Quarshie, 2019, p. 38). The institutional structures of the social democratic Finnish state can be considered the major driving force for the good performance in CSR as well as the advanced social and environmental regulations and programs (Strand et al., 2015). When considering the social issues, the tripartite dialogue between state, trade unions and companies have built nation-wide agreements on labour markets and the working conditions are strictly regulated. The environmental concerns on the other hand are regulated with several

EU-level laws as well as national taxes that limit environmental impacts. (Olkkonen & Quarshie, 2019, p.38.)

Similarly to the traditional CSR concept, the historical development for corporate responsibilities in Finland started in the late 19th century with the industrialisation of Europe, where some of the industrial owners carried out social responsibilities by offering social services to the employees and their families (Mikkilä, Panapanaan & Linnanen, 2015, p.210). While these responsibilities were later taken over by the state (Olkkonen & Quarshie, 2018, p.18), between the two World Wars the industrial owners built schools and houses, lent money and provided healthcare for their employees and their communities, thus establishing their extensive social responsibilities (Mikkilä et al., 2015, p.210). The pulp and paper industry had been the cornerstone of Finnish economy from the beginning of industrialisation and employed a large number of people. However, with the public becoming more aware of environmental issues and with the economic welfare increasing, the industry was heavily criticized in the late 1970s and early 1980s. (Mikkilä, et al., 2015, p.211.) This demonstrates how the welfare state context can influence the CSR practices and focal points. The social responsibility carried out by organisations has had an important influence on the CSR that evolved in the Nordics.

Due to the rise of environmental concerns related to industrialisation as well as the usage of natural resources and their environmental consequences, in 1990s environmental reporting and management became common in Finnish industries, as companies recognized their responsibilities in their environmental impacts (Mikkilä et al., 2015, p.212). It is the deep traditions related to sustainability, equality and wellbeing, that can be considered the explanation of Finland's good performance in CSR. While the American model emphasised philanthropy and volunteering, the Nordic model emphasised stakeholder thinking and shared value (Olkkonen & Quarshie, 2019, p.30). With the predominant social and environmental concern belonging to the state and the embedded traditions that place organisations in the society, it has been the institutional and cultural forces that drive the CSR in the Finnish context (Gjølberg, 2010; Strand et al., 2015). Thus, Finnish organisations are able to adopt global initiatives fairly easily, with making their own interpretation of

CSR in order to express their Nordic values or using it to gain competitive advantage in the global markets (Midttun et al, 2015; Midttun, 2018, p.194).

With the current megatrend of sustainability, the demand for responsible actions by companies is growing. Especially larger Finnish companies are adopting different systems, standards and certificates that exhibits their involvement in CSR, and furthermore many companies are joining global initiatives, such as the UN Global Compact (Okkonen & Quarshie, 2019, pp.85-86). According to FIBS 2019 CSR report (2019), the significance of CSR in Finnish organisations has grown steadily, and today 99% of Finnish organisations consider CSR essential for their businesses. Even while most Finnish companies consider CSR to be essential to their business and Finland having top positions in global CSR performance indicators, it is worthy to notice that it does not directly imply that Finland is on track to meet the global goals related to environmental or social issues. Even if Finland, as well as the other Nordic countries, hold top positions on the SDG Index there is currently no country that is achieving all the global SDG goals (Sachs, Shmidt-Traub, Kroll, Lafortune & Fuller, 2019).

The EU-level requirements of disclosure of CSR practices have made some positive improvements in how companies in Finland engage in CSR, even if some companies are struggling with the new compulsory reporting practices (PricewaterhouseCoopers, 2018). Yet, Finnish organisations that are engaging in CSR activities are doing it from a business case perspective, where they are aligning environmental and social aspects with economic goals. The main reasons for contributing to CSR practices was to build on the company's reputation or increasing brand value, with most companies claiming that the business benefits of acting responsible were greater than the resources needed to ensure it (FIBS, 2019). The state-market-society model eases Finnish companies' engagement in CSR activities, as many social and environmental issues belong to the state, with the government addressing many of the social and environmental issues companies would otherwise face (Gjølberg, 2010). Therefore, it is understandable that many Finnish companies' responsibilities follow a win-win or trade-off approach that emphasises the benefits of going beyond the legal requirements when addressing social and environmental issues. The biggest challenges Finnish organisations face in CSR engagement is the integration of CSR in their business, monitoring and measuring the

impact of their CSR actions and the availability of resources in CSR activities (FIBS, 2019).

2.3 Corporate Social Responsibility in SMEs

The European Commission defines small and medium sized enterprises (SMEs) as enterprises that employ fewer than 250 persons and do not exceed an annual turnover of 50 million EUR and/or do not exceed an annual balance sheet total of 43 million EUR (European Commission, 2016). While the EU laws require larger companies to disclose their CSR practices through non-financial reporting (European Commission, 2020a), these laws do not concern SMEs. SMEs make up an astonishing 99% of European as well as Finnish enterprises (Maanavilja, 2010, p.27; Suomen Yrittäjät, 2019), thus their impact on the economy is crucial. As the EU laws on CSR does not require SMEs to disclose their social or environmental impacts, SMEs are able to choose whether or not they engage in CSR activities, as well as what type of CSR they engage in. As SMEs have not had any legal requirements to disclose their CSR activities, not much research has reflected on SMEs and CSR, however, there is growing attention in academic research of SME engagement in CSR (Jenkins, 2006; Vo, 2011).

SMEs differ from large corporations as they are heterogenous in their size, resources, personal relationships and management style, thus making it difficult to adopt larger firm practices (Jenkins, 2006; Vo, 2011). Furthermore, SMEs have smaller number of employees that usually take multiple functions within the company, thus they often lack specific specialists or experts (Elford & Daub, 2019). These differences are often seen in the way SMEs engage in CSR activities: they are more informal, less likely to be reported, use fewer CSR instruments and have limited resources to invest (Vo, 2011; Fassin, 2018; Elford & Daub, 2019). While SMEs may conduct their business in a responsible and sustainable way, they lack resources to report and communicate their CSR activities and these activities becomes less exposed to the public as well as academics. Therefore, the gap in understanding SMEs engagement in CSR persists. It is too simplistic to argue, that as SMEs do not report on their CSR activities, they correspondingly do not engage in CSR related activities. Thus, it is vital to understand the fundamental differences between large corporations and SMEs, and their different

ways of CSR engagement. Fassin (2008) argues that initiatives for CSR reporting in SMEs pressures companies to formalise their activities and conduct written reports that will not add any value to the company and yet, will increase the company's overheads.

2.3.1 Barriers and drivers for CSR in SMEs

While size, industry or other reasons may be factors for CSR engagement in SMEs, Jenkins (2006) argued that it is the psychological characteristics of the “owner-manager” and differing ownership structure that influence the CSR engagement most. As CSR engagement usually deals with some sort of change in the company, it requires a leader with developed moral values to drive it and make it clear to the whole organisation (Northouse, 2016, pp.175-176). For CSR to be implemented in the organisation it needs top level commitment to become successful (Jenkins, 2006), therefore in SMEs the owner-manager is often the driver as well as the implementer of values (Elford & Daub, 2019). One of the differences between large corporations and SMEs is the separation of ownership and management, whereas in larger companies these are two entities and in SMEs the control tends to remain in the hands of the owner (Vo, 2011). This enables the owner-manager to make choices according to their personal values and allocate resources in a way they see fit. According to Jenkins (2006) study on SME engagement in CSR, the majority of owner-mangers pointed out that it is the internal drive rather than external pressure that motivated them to engage in CSR: they used moral and ethical arguments to explain why CSR was important for their companies. Thus, one of the core reasons for CSR engagement in SMEs lies in the motivation and values of the owner-manager and for CSR to be integrated in the company it requires top level commitment.

Institutional and stakeholder theories have been used to explain why SMEs engage in CSR (Vo, 2011). Institutional theory explains how organisations are influenced by their institutional environment, and therefore adopt certain practices, norms, values and structures (Scott, 2004). These types of institutional environments may influence the Finnish SMEs and according to Olkkonen and Quarshie (2019), Finland follows EU goals to increase support in sustainability related activities for SMEs, with Finland ranking above the EU average in SMEs offering green products and services.

Moreover, the institutional structures of the social democratic Finnish state was found to be a major driving force for CSR (Strand et al., 2015). The stakeholder theory on the other hand emphasises how companies meet the expectations and consider the needs of their stakeholders (Freeman, 1984). In the SME setting, it is mostly the internal stakeholders and local communities that receive most attention, with companies paying attention to employee motivation and retention, as well as community involvement (Jenkins, 2006). In this way, CSR is used to potentially improve reputation, attract and keep good employees and get access to credit from investors and banks that value socially responsible investments (Vo, 2011).

Jenkins (2006) suggest that SMEs tend to be more informal than larger corporations as well as more owner centric. Due to this, the CSR engagement in SMEs should follow the informal nature of management that is common in SMEs (Fassin, 2008). What this incorporates is that CSR engagement should “come naturally” with the CSR culture being embedded in the company (Jenkins, 2006), as once it’s anchored in the culture of the company CSR values penetrate the entire company and reach all hierarchical levels (Elford & Daub, 2019). The lack of resources of companies limit the creation of formal CSR strategy, yet it forces SMEs to find strategic approaches to differentiate themselves from their larger competition (Elford & Daub, 2019). Moreover, Porter (2018) claims that due to the smaller number of employees and how they are aligned in the company, SMEs have an advantage in strategy building compared with larger corporations. Thus, while the lack of resources may hinder formal involvement in CSR activities, the specific characteristics of SMEs can actually be a reason for success with CSR (Elford & Daub, 2019). Straightforwardly, when SMEs are not required to formalise their CSR activities and the CSR values are embedded in the organisational culture, SMEs are able to use CSR engagement in a strategic way that increases competitive advantage.

2.4 Tensions in Corporate Social Responsibility

As it is commonly acknowledged, CSR entitles three interdependent dimensions as introduced in the TBL that all have their own goals and demands (Elkington, 1997). Thus, when engaging in activities related to CSR, managers face contradictory demands between the three dimensions and therefore are forced to operate in an

organisational reality that is packed with tensions, paradoxes, contradictions and dilemmas (Hahn et al., 2015). When organisational actors encounter dilemmas and conflicts, they experience *tensions*, that are defined as stress, anxiety or discomfort in the choices they make in the organisational setting. The tensions are thus states of feeling, that result from frustrations and uncertainty that actors face when dealing with contradictory elements and paradoxes. (Lewis, 2000.) In this sense, organisations encounter competing demands between their goals that in isolation seem logical, however inconsistent when juxtaposed. Tensions are understood in this research as simultaneously existing yet opposing demands that are an inherent part of organising.

CSR is a complex concept and thus, it entails tensions between the economic, social and environmental dimensions. Tensions in CSR arise when one dimension is positively affected, yet it causes a negative effect in another dimension. Van der Byl and Slawinski (2015) identifies that there are four approaches to CSR tensions – win-win, trade-off, integrative and paradox – with rise of interest in the latter two as researchers have become more eager to understand the nature of CSR tensions and how they are managed. A great amount of CSR research has focused on balancing the three goals of sustainability – economic, environmental and social – focusing on the achieved win-wins rather than the innate tensions CSR engagement may arise (Orlitzky, Schmidt & Rynes, 2003; Hahn et al., 2010; Van der Byl & Slawinski, 2015). Margolis & Walsh (2003), argued that scholars should rethink their positive approaches and look beyond the win-wins and trade-offs created by CSR engagement. Especially with rising interest and involvement in CSR by both small and large companies, it is evident that there is a need to understand the nature of CSR tensions and how these tensions are managed (Van der Byl & Slawinski, 2015). Sustainable development is a process of change that reflects on both the future as well as the present needs and thus is not a state of harmony, but rather overflows with tensions (WCED, 1987). Therefore, to solely focus on the win-win and trade-offs of CSR may cause companies to continue to engage in CSR for self-centred reasons, rather than actually being part of sustainable development.

Most approaches to CSR consider the economic outcomes more important than the environmental or social, with these concerns only being taken into consideration when they contribute to the financial outcomes. This usually reflects on how companies

discard social and environmental aspects if they conflict with the economic outcomes, as companies are not willing to sacrifice economic outcomes to support or enhance social or environmental outcomes. (Hahn & Figge, 2011.) Thus, it can be established that very few companies actually follow the idea of triple bottom line, where they have responsibilities that go beyond the economic aspect and focus their CSR engagement to reflect financial gains. The business case approach follows an instrumental logic to CSR, with either ignoring tensions or presenting them as choices (Van der Byl & Slawinski, 2015). This approach has been important for the acceptance of CSR research for academics as well as managers. Nevertheless, as CSR has been established in both academic and organisational worlds, the focus can be shifted to the innate tensions of CSR. The paradox approach differs from the win-win and trade-off approaches, as it embraces and accepts the tensions even with the uneasiness related with the juxtaposing opposites (Van der Byl & Slawinski, 2015).

2.4.1 Win-win and trade-off approach

As concluded in the historical review of CSR, from very beginning it has been established that engaging in CSR activities would enhance companies economic gain in the long-term. The business case approach to CSR entitles that companies focus on environmental and social aspects that align with economic goals, thus creating win-win situations for the organisations (Hahn et al., 2014; Carroll & Shabana, 2010). While many scholars argued that CSR requires managers to address simultaneously desirable, yet conflicting sustainability issues (Hahn et al., 2014), Van der Byl and Slawinski (2015) found that scholars used an instrumental logic to reflect on how decisions on CSR are made. The instrumental logic suggest that companies commonly prioritise the economic needs over social and environmental needs, with only addressing the social and environmental needs if it assists them financially (Van der Byl & Slawinski, 2015). Thus, instrumental logic ignores the tensions created between the three dimensions.

The win-win approach to managing tensions in CSR incorporates avoiding tensions by aligning or optimizing economic, environmental and social elements (Crane, Palazzom, Spence & Matten, 2014). It entitles that development in one dimension should coherently improve the other dimensions or at least not diminish another areas

performance (Van der Byl & Slawinski, 2015). In this approach, companies attempt to gain financially by improving their social or environmental performance. For example, many companies implement environmental practices that go beyond legal requirements by reducing energy consumption or introducing waste management. In the same time, they minimise their environmental impacts as well as reduce cost, thus creating a win-win situation. According to a meta-analysis by Albertini (2013), there is a positive connection between environmental and financial performance that create numerous win-win opportunities for managers to pursue environmental management as part of their strategy for increasing financial performance.

Orlitzky et al., (2003) found positive relationship between social and financial performance in their meta-analysis of 52 quantitative studies, and therefore managers could pursue to fill social responsibilities as part of their strategies to attain higher financial performance. Porter and Kramer (2011) argued that the concept of shared value, where economic performance is aligned with societal needs, will be a powerful force that drives the growth of the global economy. In this way a positive cycle is created, where companies build on social purposes which in turn advances societies more rapidly, and thus allows companies to grow even more (Porter & Kramer, 2011). The win-win approach follows an economic argument for CSR, where CSR is used for both economic self-interest of the company as well as broader well-being of society and/or environmental protection (Werther & Chandler, 2011, p.30). The focus to link economic performance with environmental or social performance, the win-win approach, pursues to establish support for a business case for CSR, emphasising financial outcomes over environmental or social concerns, thus skewing understanding of CSR tensions (Hahn, Figge, Aragon-Correa & Sharma, 2017).

Scholars have argued that the win-win approach limits the perspective on how companies' CSR practices contribute to sustainable development, as it solely focuses on the business case, where environmental and social issues are relevant only when there is an economic gain for the company. While the win-win situations may exist under certain conditions, the innate complexity of sustainable development and CSR create tensions between the three dimensions, thus dismissing the validity of the win-win approach to CSR. (Hahn et al., 2010.) Taking the win-win approach can therefore limit the CSR practices of companies, as it is not embedded in the strategy of the

company but considered an additional entity that is used to maximize profits. This approach restricts companies from truly embracing sustainable development and embedding CSR practices in their strategies and company culture.

The trade-off approach to managing tension of CSR implicates that tensions are avoided by choosing one sustainable element over another (Van der Byl & Slawinski, 2015). Trade-offs in CSR describe situations where the three dimensions cannot be achieved simultaneously, and companies ought to choose one over the other and weigh a loss in one or more dimensions. This approach addresses situations where companies' contributions to sustainable development is only achieved by accepting a compromise between the dimensions that are in conflict with each other (Hahn et al., 2010). The trade-off approach addresses the tensions in CSR engagement as something that can be managed as a choice between different options. Yet, when companies are faced with the choice between the three dimensions, they tend to favour the economic goals, rather than social or environmental goals (Slawinski & Bansal, 2015). Even Carroll (1991) argues that the core responsibility of a company is to be profitable, however with the growing trend of sustainability, understanding the company as a multi-purpose venture is an unresolved issue with CSR research and management (Crane et al., 2014).

Hanh et al. (2010) argues that sustainable development ultimately refers to the societal level, thus a major corporate contribution to sustainable development in one area may justify a minor loss in another area, as it addresses important positive contributions to sustainable development in a societal level. While the win-win approach tends to be important for companies, according to FIBS (2019) companies are not focusing on cost reduction when investing in responsibility and 78% of companies consider the business benefits of responsibility to outweigh the resources used to ensure it. Thus, this indicates that a majority of Finnish companies take a trade-off approach to CSR, as they are ready to compromise and accept some financial loss for reaching societal goals. The issues with the business case approaches lie in the choices between the competing goals. In such cases, the economic perspective will mainly be emphasised which consequently diminishes the company's role in sustainable development. Thus, many industries and companies are still reluctant to acknowledge their impacts on larger societal issues and continue to operate solely to maximise profits.

2.4.2 Integrative and paradox approach

Traditionally, the ultimate goal and responsibility of companies has been to maximize their profits and shareholder returns within their legal obligations (Friedman, 1970), with the Finnish legislation stating that the main purpose of a company is to generate profits for their shareholders (Limited Liability Companies Act, 21.7.2006/624 5 §). However, many scholars have argued against this view and claimed that the responsibilities of companies go beyond the economic aspects (Hahn & Figge, 2011). The paradox perspective on CSR highlights that there are multiple competing goals between the economic, social and environmental dimensions simultaneously (Hahn et al., 2017). This means that tensions arise when one dimension is positively affected, which causes a negative effect in another dimension. In the integrative and paradox approaches to CSR, as the three dimensions are interconnected, one dimension cannot be chosen over another. It encompasses that companies combine economic, social and environmental logic to build enduring practices and rethink their basic business principles (Hahn & Figge, 2011).

The integrative approach to managing tensions requires a balance between the three dimensions, without favouring one over the other, even if they appear contradictory (Van der Byl & Slawinski, 2015). In this approach, companies are required to accept and embrace the tension in CSR and acknowledge the need of combining desirable, yet conflicting aspects in all the three dimensions, in the spirit of the TBL (Hahn et al., 2015). It differs from the win-win and trade-off approaches, as it does not emphasize one goal over the other but seeks to find a balance between the three dimensions without dismissing any of the aspects. Moreover, the focus has shifted from a solely economic one that emphasizes shareholders and profit maximization, to equally weighting the three dimensions (Van der Byl & Slawinski, 2015). With the integrative approach, companies become sustainable as they follow the triple bottom line in their CSR engagement and thus, contribute to sustainable development. The integrative approach emphasizes a shift in managerial cognition and mindset to ensure a better balance on the sustainability dimensions and integration (Van der Byl & Slawinski, 2015).

As the integrative approach offers relatively little practical guidance on how to address the tensions in CSR, the paradox approach has been developed to expand and explore the tensions and their management further (Van der Byl & Slawinski, 2015). The term paradox refers to contradictory yet interrelated elements, that seem logical in isolation, but irrational when appearing simultaneously (Lewis, 2000). In the CSR research, this reflects to the dimensions and their constant conflict with each other, thus making paradoxical tensions perpetual in the organisational setting. While the business case view limits the contributions to sustainable development (Margolis & Walsh, 2003), a paradox perspective on the other hand can create greater business contributions to sustainable development as social and environmental aspects are considered goals, not only means to maximize profits (Hahn et al., 2015).

The paradox perspective on CSR acknowledges tensions among the different conflicting sustainability goals, with enabling managers to accept and work through the tensions, thus achieving competing objectives in the three dimensions simultaneously (Hahn et al., 2015; Hahn et al., 2018). Thus, it can be considered that the paradox approach to CSR tensions builds on the integrative approach, by accepting that the three dimensions have contradictory goals and moving towards integrating CSR to the company core. When CSR is integrated, the goals can't be prioritised by excluding one dimension, as it would then have an influence on the company's core operations. In this way, the integrative approach is combined to the paradox perspective by understanding the contradictory goals and accepting that the paradoxes existing within the sustainability goals. The integrative approach consists of companies balancing the CSR dimension, however as this is not always possible, the paradox approach provides answers on how such situations where a balance is not possible, should be approached. Moving away from the traditional view of profit maximization can therefore benefit companies to adopt CSR practices, as they do not view the tensions in CSR from an economic view but rather from a view that integrates the three dimensions of CSR.

Based on the understanding of the different approaches to tensions, the paradox perspective, combined with the integrative approach was chosen for the theoretical framework to lead the research. In this research the paradox approach is understood as a perspective where the competing goals between the dimension are accepted and CSR

engagement integrated to the company core. Without the integration of CSR, it is not likely for organisations to experience tensions, as in this view CSR is an additional entity that is used for profit maximation, not part of the company goals. In this sense, the integrative approach is considered a part of the paradox approach as it enables for paradoxical tensions to manifest. Based on this theoretical choice, the thesis further examines the understanding of paradoxical tensions in CSR as well as how companies manage these paradoxical tensions.

2.4.3 Paradoxical tensions in CSR

CSR as a concept has the ability to address many issues related to the three dimensions under one heading, yet, Hanh et al. (2015) states that it is also its “Achille’s heel”. While from the business case perspective the three dimensions are coherent, this goes against the evident tensions between the three dimensions and their performance (Margolis & Walsh, 2003; Van der Byl & Slawinski, 2015). In order for companies to be part of sustainable development, their CSR engagement should accept the apparent tensions between the dimensions, rather than solely pursue CSR in win-win situations. According to Hahn et al. (2015), the tensions that arise from CSR engagement may relate to multiple different economic, environmental and social concerns that consist on different levels, entail change processes or operate in conflicting temporal or spatial frames. By combining three additional dimensions, *level, change and context* (figure 3), with the traditional triad of economic, environmental and social dimensions the tension in CSR can be analysed deeper (Hahn et al., 2015). The systematic framework, and how these three additional dimensions affect the traditional dimensions has been illustrated below (figure 3). The image illustrates how the level, change and context dimensions influence the economic, environmental and social dimension to create a comprehensive understanding of where tensions derive from.

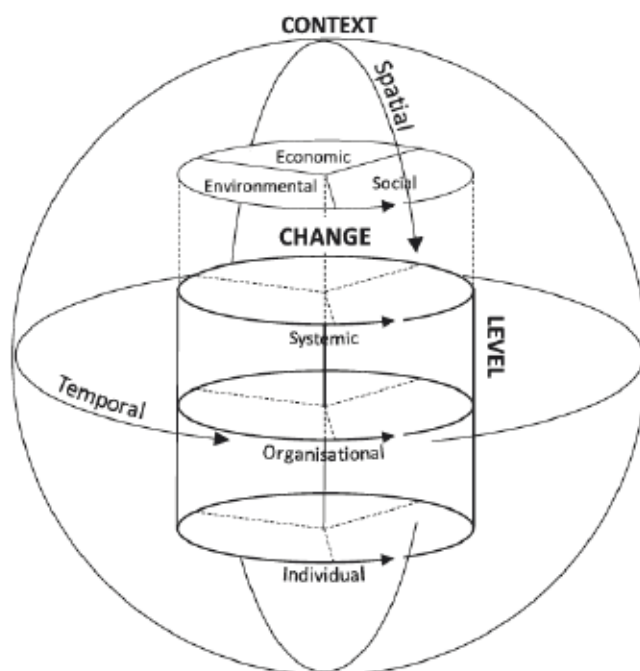


Figure 3. Framework for analysing tensions by Hahn et al. (2015).

CSR is a concept with multiple levels and tensions arise when issues have different meaning depending on individual, firm or systematic levels as illustrated above (figure 3). Individual-level factors relate to personal values and preferences, and thus individual decision-makers may not find support from firm-level, creating tensions between individuals within and across the hierarchies or between the individual's and company's goals. Similarly, a firm-level response to sustainability issues may fail to address the issue from a systematic-level, as the CSR practices do not measure up to addressing wider societal issues. (Hahn et al., 2015.) According to Lewis (2000) organisational paradoxes may appear in several forms, with paradoxical tensions arising from different conflicting, yet simultaneous truths. The paradox of belonging relates to the tensions between the self and other, where paradoxical tensions arise from the need for individuals to strive for both self-expression as well as collective affiliation (Lewis, 2000).

Organisational paradoxes further stem from the change that takes place within the organisation. Lewis (2000) discusses that that paradox of learning creates tensions between old and new practices, where companies struggle between the comfort of the past practices and the uncertainty of the future. CSR engagement always requires some change in the company's operations, as companies move from unsustainable or

irresponsible practices to more sustainable and responsible ones. This will require a change in strategies and the everyday operations, which consequentially creates tensions depending on how extensive the changes are. Companies tend to change incrementally and when it benefits their operations, thus tensions may rise when there are disagreements with how to proceed with the change (Hahn et al., 2015). The framework illustrates (figure 3) how the changes take place between the three traditional dimensions, as companies strive to change to become more sustainable and responsible. Moreover, when adopting new CSR practices, tensions may be created within the business network, with tensions typically related to budgetary tensions as well as to potential internal resistance to change by the employees (Tura, Keränen & Patala, 2018).

According to Hahn et al. (2015), tensions manifest further as temporal tensions, mainly referring to long-term versus short-term strategies between the economic, environmental and social aspects, as well as the spatial tensions referring to intragenerational equity, where companies operate in both developed and undeveloped regions with different environmental and social standards. The temporal and spatial influence have been illustrated (figure 3) in Hahn et al. (2015) systematic framework for analysing tensions. It demonstrates how the tensions emerge from temporal or spatial frames of the context in which the transition towards suitability takes place (Hahn et al., 2015). Lewis (2000) discusses the paradoxes of organising, where tensions arise between control and flexibility that manifests as mixed messages and system contradictions. These tensions relate to companies having to continuously adapt to the changes yet continuing to operate efficiently at the same time. This requires companies to move away from a usual “either/or” thinking that oversimplifies management practices and understand that paradoxical tensions require an ongoing process to balance opposing forces (Lewis, 2000).

Tensions are present in various organisational levels, spread over temporal and spatial frames and the dynamics of change processes create paradoxical situations for owner-managers that influence their decision-making. Understanding the origins and characteristics of the tensions assists companies to address the environmental or social concerns without gaining any immediate business benefits (Hahn, et al., 2018). In this sense, the CSR is integrated to the company and the tensions thus manifest not only in

the three traditional dimensions, but further in the levels, changes and spatial and temporal frames. In this thesis, the paradoxical tensions are thus identified and analysed by applying the systematic framework to the data collection process, which emphasises the situations where the paradoxical tensions manifest in CSR.

2.4.4 Managing paradoxical tensions in CSR

Some studies have emerged to provide answers on how companies manage the paradoxical tensions that emerge from CSR. When tensions in CSR are managed, they may lead to unexpected opportunities, where CSR inputs lead to a combined solution that creates stability between the three dimensions (Daddi et al., 2018; Tura et al., 2018). Rather than ignoring tensions and prioritizing one of the dimensions, accepting a paradoxical approach and managing the tensions in CSR may ultimately lead to desired outcomes between the three dimensions and assist companies in contributing to sustainable development. Thus, managing paradoxes means capturing the potential it possesses (Lewis, 2000). Acceptance of the paradoxical tensions can be considered the first step to managing the tensions (Poole & Van de Ven, 1989). Without the acceptance that the paradox exists, companies may not benefit from the true potential of CSR as the tensions become ignored and thus, CSR continues to be an additional entity of the firm rather than a part of the core operations.

The management of paradoxes requires that the paradoxes are acknowledged in the first place (Hoffmann, 2018). This means companies should accept that CSR creates tensions and paradoxes, rather than ignore those tensions. Nevertheless, paradoxical tensions are a double-edged sword, where tensions can create change and innovation as organisations rethink their practices, yet, simultaneously typical reactions to change are defensive, thus reducing anxiety temporarily. Therefore, by suppressing one side of the paradoxical tension the pressure from the other side intensifies. (Lewis, 2000.) It's argued that even though the CSR practices are inheritably contradictory, the contradiction should not be excluded from the social and organisational realities, but the tensions should be accepted in order to learn to manage organization in this paradoxical reality (González-González et al., 2018). Moreover, the integrative approach according to Hahn et al. (2015), entitles that companies are able to live with the tensions manifested in CSR which is based on paradoxical thinking that enables

acceptance rather than ignorance of tensions between the three dimensions (Van der Byl & Slawinski, 2015). In this sense, the term integrative further contains embracing and management of CSR tension, rather than solely focusing on the balancing of the competing CSR elements, and thus is understood in this thesis as a part of the paradox approach.

Researchers have suggested three means of managing paradoxes – acceptance, confrontation and transcendence. When managers accept the innate paradoxical tensions in CSR, it assists them to learn to live with the paradox, offering a sense of freedom and avoidance of possible vicious cycles. Further, when the paradox gets confronted and discussed, it builds upon a better understanding of the underlying logic and assist in reducing the social strain of the tension. Lastly, the transcendence relates to the ability to think paradoxically, where managers examine critically the rooted assumptions to develop a more complicated understanding and behaviour that reflects the organisational complexity. (Lewis, 2000.) However, Daddi et al. (2018) highlights that managers are unwilling to acknowledge tensions in CSR, as they have an impact to the core business and would rather avoid the tensions than face them. The companies that decided to accept and manage their CSR tensions, introduced a management shift where they moved from their old practices to more complex frames of references in terms of sustainability (Daddi et al., 2018).

Companies cope with the paradoxes in different way, yet many use a way of communicating about their CSR to rationalise or justify the paradoxical tension. According to González-González et al. (2018), using words such as “balance” or “integrated” companies move the tensions from a behavioural reality of the organisation to a level where such arguments satisfy their shareholders as well as stakeholders. Furthermore, companies tend to minimise and soften the paradoxical tensions by using slogans such as “it’s in our DNA” or “we do a lot of small things”, as these abstract concepts cause a development of CSR to a new direction and distract from the paradoxical tension (González-González et al., 2018). Furthermore, spatial and temporal separation is used to respond and cope with the paradoxes. The temporal separation, that takes time into account, assumes that different aspects of the paradox hold during different time periods, with the possibility that they influence the other through their prior actions (Poole & Van de Ven, 1989). Thus, the past paradoxical

tensions are justified and the present tensions encouraged in the hope of a future where CSR is harmoniously integrated into individuals and organisations (González-González et al., 2018). Paradoxical tensions manifest further in different levels (ex. small or large, individual or society), thus clarifying the level assists in managing the tension. To manage spatial tensions, focus should be shifted to the inconsistencies in the levels and organisational features and their connections, in order to specify how the levels interrelate (Poole & Van de Ven, 1989; González-González et al., 2018).

Companies tend to look for solutions to the tensions they face, however, paradoxical tensions reflect to a constant state of conflict between the competing dimension. Thus, it is understandable that companies tend to implement a win-win approach to their CSR tensions, where the paradoxical tensions are managed by mainly focusing on the economic dimension, as the purpose of a company is to generate profits. When companies accept the paradox and leave behind the defensive attitudes, they are to develop a capacity to exceed the tension innate to CSR and learn to manage the company form this paradoxical reality (González-González et al., 2018). In that sense, when companies are faced with tension, the competing demands of CSR may lead to real opportunities where the dimensions may reach a state of harmony as the firm implements new practices that embrace sustainability, rather than avoiding, denying or ignoring the intrinsic tensions in CSR. This does not however mean, that companies can strive for situation where the tensions no longer persist, as the conflicting demands remain a part of the goals of the company.

Dealing with tensions is difficult for most companies and it is understandable that companies look for solutions to avoid the tensions in the first place. Daddi et al. (2018) argued that companies tend to implement proactive strategies in order to manage the paradoxical tensions that CSR may bring out. This style of management requires companies to introduce practices and strategies that are proactive and anticipates the future tensions that manifests in CSR in order to not let the tensions emerge in the first place. The paradox perspective further emphasises that conflicts create vicious cycles that diminish the effectiveness of the organisation and thus, to manage these paradoxical tensions companies apply differentiation and synergy to their decision-making (Hargrave & Van de Ven, 2017). In this view, companies do not strive for resolution of the paradoxical tensions, but accept that by using different methods of

sensemaking, they are able to cope with the tension and find ways to accomplish the goals simultaneously. By drawing on the integrative perspective on the paradox approach, companies are able to move beyond the tensions of CSR, by accepting the co-presence of these elements. Once the CSR is integrated to the company, it emphasises that tensions are managed with a paradox approach, where dimensions are not prioritised. The paradox approach to managing tensions thus reflects to the coexistence of contradictory elements, where companies seek synergy between the elements (Hargrave & Van de Ven, 2017). In this sense, they make sense of the competing goals by satisfying opposing objectives.

To summarise, this thesis understands that the management of paradoxical tensions requires the acceptance of the tension and its competing goals. When the paradox is accepted, managers can move to create outcomes that satisfy both of the competing goals and seek for synergy. Thus, the theoretical framework suggests that when companies integrate CSR to their core operations, they consequently are faced with paradoxical tensions. In this view, the theoretical framework establishes an understanding that integrative CSR is full of contradictory objectives that create paradoxes. In order to cope and manage such paradoxes, managers are required to first understand where the tensions manifest in, before moving towards responding to the paradox. Thus, the theoretical framework emphasises the systematic framework by Hahn et al. (2015). When the source of the tension is identified, managers can move towards responding to the paradoxical tension. Moreover, the theoretical framework understands the differences of CSR in Finnish and SME setting, and aims to examine if and how they influence the tensions that emerge. The pre-understood theory is used as a basis for the empirical part of the thesis, that influences the analysis process. However, as the theoretical understanding of paradoxical tensions and their management in CSR context is fairly novel, it does not limit the emergence of new possible theoretical perspectives.

3 METHODOLOGY AND RESEARCH DESIGN

This study follows a qualitative abductive research process that aims to understand what type of tensions Finnish SMEs' owner-managers experience when engaging in CSR activities, and further how these tensions are managed. The objective of this qualitative research is to answer the following research questions:

“What types of tensions emerge as a result of engaging in CSR practices in Finnish SMEs?”

“How are the paradoxical tensions experienced and managed by owner-managers?”

To answer these questions, data was collected by conducting multiple semi-structured interviews with the owners or managers of Finnish SMEs. This chapter describes the use of methodology of the empirical study to answer the research questions. First, the qualitative study method will be described, to demonstrate its validity in the search of answering the research question. Secondly, the data collection methods as well as the case companies will be introduced. Lastly, the data analysis process will be presented with introducing the data structure.

3.1 Qualitative research method

To examine the tensions created by CSR activities in Finnish SMEs, a qualitative research approach was chosen. This study consists of a theoretical and an empirical part. The aim of the theoretical part is to understand CSR from a cultural and company size perspectives, as well as interpret the tensions in CSR engagement and their management by analysing existing literature. The literature review aims to find assumptions about the topics presented, in order to establish a generalised understanding of the topic based on the theoretical concepts from previous studies (Rowley & Slack, 2004). Moreover, the theoretical part utilised quantitative information that provided an understanding of the motivations and challenges of CSR engagement in Finnish organisational setting. This study aims to understand how owner-managers perceive tensions created by CSR engagement, thus, a qualitative approach was chosen. The qualitative research approach aims to understand actions

taken, as well as how the motivations and the context influence the actions and decision that take place (Myers, 2013, pp.5-8). Qualitative research emphasises the experiences and perspectives of participants (Klenke, Wallace & Martin, 2016, p.10), leaving room for interpretation of the collected data (Myers, 2013, p.8). Thus, the empirical part follows a qualitative approach.

Qualitative research aims to build an in-depth understanding of the social phenomenon in their natural setting or context, and relies on interpretations (Klenke et al., 2016, pp. 6-9). It focuses on the real-life experiences of the participants through their history and social context. Therefore, to study the tensions in CSR, it is necessary to gain knowledge of these real-life experiences to provide comprehensive definition of the phenomenon. Furthermore, according to Myers (2013, p.9) qualitative research provides in-depth view on a topic and is a good approach to topics that are novel and do not have much previous research. As established in the theoretical part of this study, tensions of CSR have not been studied extensively in the Finnish setting and tensions manifest in different levels, change processes and context. Thus, the qualitative research process can open up the underlying reasons how CSR related tensions manifest in organisations.

This thesis follows an abductive reasoning, which involves integration and justification of ideas that are developed into new knowledge. Abductive reasoning allows ideas to stem from vague and possible or potentially possible phenomena, from which the ideas are processed through deductive or inductive reasoning. (Eriksson & Lindström, 1997.) In this way, the theoretical framework was built by first drawing on several disciplines related to CSR tensions before choosing a specific topic. The theoretical understanding of CSR tensions was studied excessively, in order to identify and understand the key concepts of the topic and to formulate the core questions for the semi-structured interviews. Once the theoretical understanding was built and the interviews conducted, the study moved to a more inductive approach, as the empirical data was further coded and classified. When analysing the collected data, the previous theoretical understanding was used to make sense of the emerging topics and to inspire the empirical work. However, by revisiting the theoretical knowledge of the CSR tensions, new concepts emerged that influenced the theoretical framework further.

3.2 Data collection

Qualitative data was collected by interviewing six owners and managers of five SMEs from different industries, mainly located in the Northern Ostrobothnia region. Choosing a variety of people representing different industries will provide a diverse set of views to obtain a certain breadth of opinions (Myers, 2013, p.131). This will assist the gaining of a broader understanding of the studied phenomenon, as the interviewees do not “think alike”, but have various views on CSR from their personal and industry contexts. In order to gain in-depth information on the CSR tensions, the interviewees and their companies were granted anonymity. This way, the interviewees are able to discuss their experiences and ideas without having to worry about possibly leaking strategic or confidential information.

There were two key criteria in the company selection: the company had to be an SME and they had to engage in CSR in some way. As the objective of this study is to understand what kind of tensions companies face when engaging in CSR related activities, only companies that were known to have CSR practices could be chosen. Before approaching any companies, a background check on the company’s size, including personnel and turnover was reviewed in order for them to be categorised as an SME according to the definition provided by the European Commission (2016). The interviewed companies were chosen based on them having some CSR related activities that were communicated through their platforms or other media. This was mainly done by visiting the company’s website in order to examine if they discuss CSR or responsibility as part of their organisation. Once a fair number of organisations suitable for the study were identified, they were approached through email for the possibility of an interview.

Interviews were chosen as the primary data collection method, as interviews allow the gathering of rich data based on people’s experiences from various roles and situations (Myers, 2013, p.119). Interviews in qualitative research can be considered an opportunity to learn something new as well as combine the new information with the existing information, thus enriching knowledge of the phenomenon (Schostak, 2006, p.15). The interviews were constructed in a semi-structured way and focused on questions related to the objectives of this research. Semi-structured formats give the

interview some structure, yet it allows some improvisation and thus, provides opportunities to add important insights that may arise during the interview (Myers, 2013, p.123). The interviews involved some pre-formulated questions, but a freedom to deviate from the questions was favoured, as it allowed the emergence of new questions and specifications, as well as allowing the interviewee to discuss topics openly and freely.

In order to analyse how Finnish SMEs manage paradoxical tensions related to CSR, it is vital to understand where they stem from. Thus, the framework of Hahn et al. (2015) as well as the other studies on the origins of tensions, were used as a base to formulate the interview questions in this study. This assisted the empirical work, as the questions relate to finding out where the possible tensions emerge from in the case companies. Knowing what type of tensions emerge, the study emphasises the approach and management of these tensions further. After an extensive literature review of CSR and its innate tensions, the questions were formulated. Before the paradox approach was chosen as the main theoretical framework, the interviews were conducted by understanding also the other approaches (win-win, trade-off, integrative) to tensions. As it was impossible to determine beforehand what approach the SMEs take when facing tensions, the interviews had questions related to the other approaches identified in the theoretical part of this thesis.

The interview questions (appendix) were sorted in three parts with a set of questions: warm-up, approach to tensions, and origins and characteristics of tensions. The warm-up questions related to the owner-manager's personal views on responsibility and sustainability, as well as the company's CSR policies and practices. These questions assisted in forming a general understanding of the company's CSR practices and made the interviewees think about their CSR before moving to questions about tensions. The second part of the interview focused on understanding the approach the company takes when confronting tensions. These questions aimed at understanding what approach the companies take in managing the tensions, as well as if they prioritise the economic dimensions when faced with CSR related tensions. Lastly, based on Hahn et al. (2015) framework to analyse tensions, questions were formed to understand the origins and characteristics of CSR tensions. These questions revealed more deeply what type of tensions managers face, how they experience them and what influences their decision-

making when approaching the tensions. Moreover, when paradoxical tensions were identified in the owner-managers answers, questions related to management of those tensions were asked in order to open up the different ways companies respond to such tensions. While the questions and the sets were formulated as such beforehand, there was a freedom to deviate from the frame as many of the questions were interrelated and the answers overlapped.

The interviews were conducted during March 2020. More specific information of the schedule and duration of the interviews can be seen in table 1 with description of the industry in which the companies operate in. In order to gain as much information on the studied phenomenon, the topic of the study was disclosed to the interviewees. In this way, the interviewees could know beforehand what kind of topic they were going to be interviewed about and were able to think of the topic beforehand. As the topic of tensions in CSR is quite complicated, disclosing the topic beforehand was considered to enable the interviewees to think about their CSR engagement beforehand and thus, provide in-depth information on the matter. All of the interviewee candidates were contacted in the beginning of March 2020 and the schedules established. Unfortunately, due to the corona virus outbreak of 2020, some companies cancelled the interviews as their industry or company was affected, thus leaving no room to participate.

The language of all the interviews was Finnish and the interviews were conducted both face to face, as well as remotely after the outbreak. The interviews were recorded with the participants' permission and before the interviews, the anonymity and handling of the data was gone through with every participant in order to provide transparency of how the data is going to be handled and used. While there was multiple preformed question, not all of them were asked in the interview, as the interviewee brought up the topic themselves and there was no use to revisit the same topic many times. However, some of the questions seemed similar, thus there was some overlapping of answers. In addition to the preformulated questions, some new topic arose from the conversations and further questions were asked to specify or elaborate on the topics.

Table 1. Description of the interviews.

	Industry	Interview Date	Interview Length	Interview Method
SME 1*	Fashion retailer	6.3.2020	52min	Face-to-face
SME 2	Building automation	4.3.2020	54min	Face-to-face
SME 3	Publishing house	18.3.2020	61min	Phone
SME 4	Industrial design & manufacturer	23.3.2020	64min	Microsoft Teams
SME 5	Crane & special transportation	23.3.2020	54min	Skype

* = Two owner-managers participated in the interview.

3.3 Data analysis

As the thesis follows an abductive reasoning, both inductive and deductive approaches were utilised. The theoretical understanding of the study that influenced the data collection was conducted using deductive reasoning, however, when moving to the data analysis, an inductive reasoning was introduced. This means that the data was coded by focusing on the empirical data and building the theory based on the findings that emerged (Myers, 2013, p.23). The inductive approach entitles a systematic process of analysing qualitative data, where the interpretations of the data is derived from concepts and themes stemming from the pre-understood theory (Thomas, 2006). Once the interviews were conducted and before the analysis could be carried out, a process of transcribing took place. The interviews were on average 57 minutes long and the transcription of one interview took 4-6 hours, generating 8-11 pages of text per interview. However, transcribing is a fundamental process if the interviews are going to be coded. As all the interviews were conducted in Finnish, a careful translation to English was established in order to reflect the thoughts of the owner-managers.

When all the interviews were conducted and transcribed, the actual data analysis could begin. The data analysis utilised grounded theory, as it refers to theoretical explanations of the social world that emerge from the empirical data. Grounded theory encourages researchers to build new theories from the empirical data, in order to allow theoretical concepts to emerge. (Hodkinson, 2008, pp.83-84.) In this sense, the analysis of the empirical data is not bound to the pre-understood theory and allows

themes to emerge that will build on the theory. Thus, the initial face of coding using the grounded theory approach, is about “open coding” where classifications are formed as the empirical data is familiarised. The initial data was therefore coded in a relatively open manner to assist the theory to emerge from the empirical data. Figure 4 illustrates the interplay between the analysis and theory sampling. As illustrated in figure 4, the interplay between analysis and theory started by the initial data collection and analysis. Once the initial data analysis was conducted, first theory sampling was conducted by finding connections between theory and data. The process of data analysis and theory sampling is illustrated as a back and forth action (figure 4), where the data and theory build connections, before the refinement of theory is conducted.

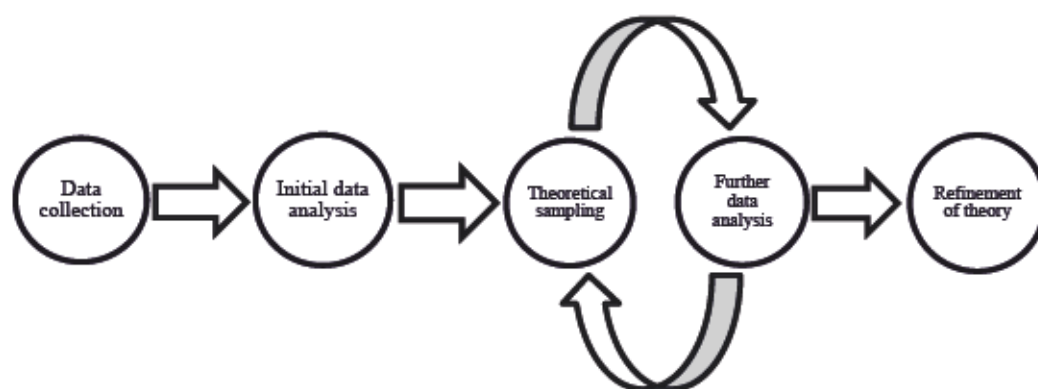


Figure 4. Interplay between analysis and theory sampling (adapted from Hodkinson, 2008, p.86).

Once the interviews were transcribed the coding was conducted by using the NVivo qualitative data analysis software, in order to ease the handling of the data. Using a software will both assist the coding and retrieval of data, as it smoothens the process and analyses can be done in more depth (Bosit, 2003). In order to code and analyse the qualitative data, the Gioia methodology (Gioia et al., 2012) was employed. Gioia methodology assists in making sense of the sheer amount of data collected, by formulating a connection between the data and pre-established theoretical knowledge through a process of categorising and combining terms, codes and categories that emerge from the research (Gioia et al., 2012). It follows the idea of grounded theory, where data is allowed to lead the initial coding. However, even Gioia et al. (2012) concludes that the research process transitions from inductive to a form of abductive reasoning, where the empirical data and existing theory are considered in tandem.

Following the Gioia method, the 1st-order concepts were created by carefully analysing the interviews and bundling up similar topics and fractions from the interviews into categories (Gioia et al., 2012). The idea is that the initial coding uses detailed and specific codes that are then combined into more generalised categories. From the 1st-order concepts, the 2nd-order themes can be constructed. This step requires a more theoretical thinking process, where the underlying schemes are analysed further to create new, more specified categories (Gioia et al., 2012). These themes further examine the relationship between each other and provide the beginning of theoretical explanation of the data (Hodkinson, 2008, p.87). In order to complete the data structure, aggregated dimensions are established based on the 2nd-order themes. The aggregated dimensions provide a narrative to understand the connections between data and theory (Gioia et al., 2012). Once the aggregated dimensions were created by reducing and integrating the emerging themes, the results were then compared with the existing literature to establish how the data relates to the theory. The figure below (figure 5) illustrates how data was coded using the Gioia methodology and how the 1st order concepts were further categorised to 2nd order themes, and lastly to aggregated dimensions. It further shows where the data analysis took place in this method of analysis, reflecting to the interplay between theory and analysis (figure 4).

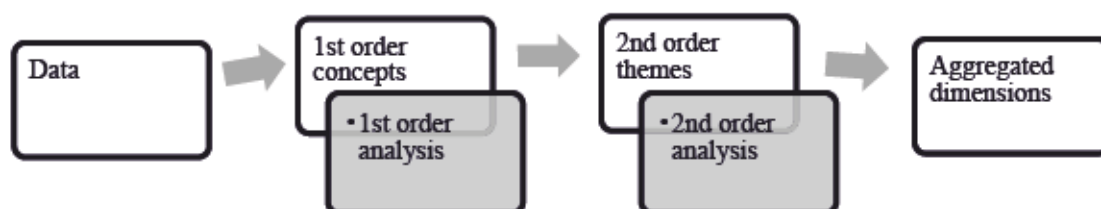


Figure 5. Simple illustration of the Gioia methodology (adapted from Gioia et al., 2012).

3.4 Data structure

Through the application of the Gioia methodology and the usage of a qualitative data analysis software NVivo, a number of codes for the 1st order concepts emerged. These 1st order concepts were carefully analysed further to 2nd order themes and then grouped as aggregated dimensions as shown in figure 5. The data structure (table 2) demonstrates the findings in a visual representation, as it is a crucial part of the data analysis process and forms the foundation for the grounded theory (Gioia et al., 2012).

As the research was conducted from an abductive reasoning, the existing knowledge of the theoretical framework guided the formation of the data structure, which is mainly seen in the 1st order concepts. The 1st order concepts have been named by linking the owner-managers quotes to specific theoretical knowledge in certain parts.

Two main aggregated dimensions were identified from the empirical data: owner-managers' contextual experiences and managing paradoxical tensions in CSR. The owner-managers' contextual experiences are mainly related to how the owner-manager perceives responsibility within the company as well as how the SME context influenced the engagement in CSR. Secondly, the management of paradoxical tensions reflects to the paradox approach, that demonstrates the different tensions in CSR engagement, where they manifest and how the owner-managers experience them. Further it relates to how the owner-managers deal with the paradoxical tensions that manifest in their CSR engagement.

Table 2. Data structure. Produced from Gioia et al. (2012)

1 st order concept	2 nd order themes	Aggregated dimension
Firm size	SME context	Owner-managers’ contextual experiences
Lack of resources		
Informal reporting or monitoring of CSR		
External pressure from partners or customers		
Personal responsibility	Personal values & moral	
Personal values		
Responsibility as an employer		
Personal pride		
Giving back & paying forward (community)		
Doing things right	Doing the right thing	
CSR as competitive advantage		
“CSR is in our DNA”		
“Doing the best we can”		
Company values		
Balancing CSR tensions	Paradox approach to tensions	Managing paradoxical tensions in CSR
Mitigating risks		
Long-term decision making		
Tensions between old and new practices		
Tensions in CSR reasoning		

Context related tensions		
Level related tensions		
Change related tensions		
Proactive strategies	Responses to tensions	
Spatial separation		
Temporal separation		
Integrated CSR	Denying the tensions	
Justifying or rationalising the tensions		
Covering up tensions		

4 RESULTS & ANALYSIS

The literature review on CSR in the SME context as well as tensions in CSR guided the process of connecting the data with the previous understanding of theory. From the pre-understood theory, the study moves to demonstrating the results and analysis from the empirical data. Based on the empirical data it demonstrates the connections to the pre-understood theory as well as emphasises new concepts that emerged. The results and analysis chapter reflect to the data structure (table 2) introduced previously. The chapter is structured by introducing the results in the aggregated dimensions that emerged from the data analysis. Firstly, the owner-managers' contextual experiences are introduced, which reflect to the owner-managers' personal and company contexts. The results then move to understanding the paradox approach to tensions and lastly discusses the management of such paradoxical tensions in CSR.

4.1 Owner-managers' contextual experience

The first aggregated dimension that surfaced from the interviews was the owner-managers' contextual experiences. The owner-managers were asked questions related to the motivations and reasons behind engaging in CSR practices, as well as what hinders their involvement. It created an understanding how their past experiences, personal values and company context shaped the way they perceived and practised CSR in their companies, and further how decisions were made between the competing sustainability objects.

The owner-managers' experiences and the contextual setting influenced significantly the decision-making process related to the CSR practices of the firm, as well as the responses to the possible tensions within. It was evident that CSR engagement stemmed from the personal values and experiences of the owner-managers, which guided the responsibilities of the companies. The three themes of drivers and barriers behind the CSR engagement that surfaced from the interviews included the SME context, the personal values and moral and a mindset of "doing the right thing". These themes followed a clear pattern and appeared in all of the interviews.

4.1.1 SME context

The SME context was a significant influence on how decisions were made in the company related to CSR engagement as well as how tensions were approached. The size of the firm was considered to hinder capabilities to comprehensively tackle sustainability issues, with most owner-managers recognising the need to prioritise the economic perspective in order to survive as well as to thrive. The lack of resources, mostly related to time and money, made it necessary for many owner-managers to focus on the short-time economic needs in order to fulfil their goal of succeeding in the industry.

“Well, as a small firm, to some extent we always have to prioritise the economic perspective and compensate the rest of the elements to the economic perspective, however we can.” (SME 2)

“If we run out of money, it is difficult to operate in a responsible way as we are constantly afraid of the future.” (SME 4)

Only one of the interviewed owner-managers claimed that the economic aspect does not influence their decision-making, as they always operate in a responsible way. While the size of the company influenced the need to prioritise economic goals, it was further seen as a positive driving force to introduce new concepts and practices related to CSR. The informality of the SMEs made it possible to introduce new practices and strategies with ease. The smaller number of employees and their position in the company gave the SMEs advantage to implement new CSR practices (Porter, 2018), as they were able to adjust their practices in an agile way. The lack of strict hierarchies or power distance made it possible for employees of the company to execute new CSR practices, as the decision making was done informally and did not involve much bureaucracies. While the size of the company and its resources were considered to be something that hindered CSR engagement, at the same time it created opportunities for the companies to adapt and change their practices over time.

“As an agile company, we live and answer the needs of the questions that arise every day. [...] They are just those type of

things that need to be done when the agenda is brought up.” (SME 2)

As SMEs are generally more informal than the larger corporations (Jenkins, 2006), their CSR involvement is largely informal as well. Mainly, the companies either did not report or monitor their CSR engagement or did it partially, by focusing on a certain area of their business, such as recycling, carbon footprint or third-party certificates. The reason for not reporting or monitoring came from the lack of resources, thus limiting the creation of formal CSR strategy (Elford & Daub, 2019). Yet, all of the owner-managers identified to some extent the importance of reporting and monitoring of CSR, mainly through the partnerships and customers they dealt with.

“It’s not a coincidence, but quite systematic activity that we have sought out such partners as we are ourselves. We have introduced our principles to them before beginning any cooperation. It has been completely planned and conscious activity.” (SME 3)

While for others it came from finding likeminded companies and customers to partner up with in order to make sure their company operates overall responsibly, for some it came from the external pressure of the large corporation they partner up with and work as subcontractors. As the EU laws require large corporations to disclose information on their CSR practices (European Commission, 2020b), it has become crucial for their SME subcontractors or suppliers to focus on their CSR and further measure and monitor sustainability related issues.

“[...] some big corporations are already asking that, when they want to purchase services from us, they want to know how much emission they are purchasing at the same time.” (SME 5)

“Yes, the same guidelines, if you mean that for example large listed companies have introduced ethical guidelines and so on, of course they have trickled down to us, and we have informed our subcontractors that we have the same practices in place.” (SME 4)

It was evident that the SME context influenced the CSR engagement of the interviewed companies by reflecting to their resource scarcity that forces the companies to prioritise economic needs. Further, it demonstrated that SMEs are able to implement CSR practices in an agile way, which does not require long decision-making processes or bureaucracies. Lastly, the results emphasis that even if the SMEs lack resources, some sort of monitoring or reporting was considered important, as it assisted the companies to not to become affected by irresponsible partners or customers, and answer the requirements of larger companies.

4.1.2 Personal values & moral

As pervious research has concluded, in order for CSR to be implemented successfully in the organisation it requires the top-level commitment (Jenkins, 2006), thus, the owner-manager is generally the driver as well as implementer of these values (Elford & Daub, 2019). All the interviewed owner-managers expressed responsibility to be highly important for them, both in their personal and professional lives. This enables the owner-managers to make decisions based on their own personal values and allocate resources to the CSR practices, as they considered them an essential part of their values and moral.

“For me, responsibility is about creating collective well-being. That’s how I would say it. It is a mission in life for me, to make others happy and enjoy life in a way that doesn’t disturb others.”
(SME 5)

“In summary, perhaps the biggest motivation is that why wouldn’t we do things well and sleep well at night, when we can actually influence it.” (SME 4)

Acting responsibly and engaging in CSR activities stemmed from the internal motivation of being a responsible person. Yet, when questioned what responsibility means to the participants, most owner-managers reflected to the importance of being a responsible employer. The social dimension of the TBL was considered by most owner-managers as the core responsibility, with focus on the internal stakeholders of

the company as well as the local communities. The SME setting can be considered the driving force for the specific attention given to internal stakeholders and local communities, as when companies pay attention to employee motivation and retention as well as community involvement (Jenkins, 2006), they potentially improve their reputation as well as attract and retain good employees (Vo, 2011).

"I want to provide a good workplace for our employees, I want to increase the appreciation of our company, so that SME 5 is especially locally known as a good employer and they would enjoy working with us, Also, that SME 5 would be known as a company that people would talk about in a way that I'm proud of." (SME 5)

"[...] responsibility means that if someone is not doing the best right now, then what we have to do under law we of course do, but still a little more. We try to offer our help even on the difficult days." (SME 3)

All of the interviewed companies were to some extent involved in their local communities, with some giving further attention to global communities or charities. The motivation to get involved with local communities stemmed from both potentially improving the reputation of the company, as well as personal motivation of giving back to the communities they felt part of. While most practices included organising or donating funds to charitable events or social causes, some of the owner-managers focused on a common good of their local communities related to their industry, by offering internships or partnering up with other companies.

"We are very happy to educate young people and sometimes some have stayed for a year or finished their studies and come work with us for the next year. [...] I see that being responsible for the environment where you operate in is important to businesses." (SME 3)

"We have this kind of partnership-program system, that when a project does not suit us, we subcontract it to him because he can produce it with another solution." (SME 2)

While engagement in CSR stemmed from personal values and morals, it was clear that the owner-managers took pride in their CSR activities. This was emphasised especially with regards to affecting societal change and being a forerunner in their industry.

“Specifically, when thinking about our industry, I believe we are forerunners in environmental responsibility, which I’m quite proud of.” (SME 5)

At the same time, due to the size of their companies, many of the owner-managers felt that their actions do not have wider societal impact, yet many recognised that they can be a part of the wider impact. However, with their personal values driving the CSR practices of the firms, there was an aspiration to be part of the change for more sustainable practices. All of the owner-managers expressed a desire to be part of the “change-movement” towards more responsible and sustainable practices in their industries, as most considered themselves as the forerunners of sustainability in their specific industries.

“With our actions, we want to change this industry and make the industrial working environment safer. It’s possibly the cornerstone of our work or the purpose of our existence.” (SME 4)

“Maybe not on a larger scale yet, but I believe we have an impact to a certain group of people who follow us. I also want to believe, that it has impact, the way we sell, talk and tell customers about our products. [...] When they leave our store, they might have a different way of thinking.” (SME 1)

Thus, the results highlight the previous understanding of owner-manager’s personal values to be an important driver for CSR engagement, which was evident in all the interviews. The owner-managers reflected to wanting to be part of the CSR trend and “change-movement” towards more responsible and sustainable practices, with the personal values of owner-managers emphasising the importance of attention given to internal stakeholders and local communities.

4.1.3 “Doing the right thing”

While the personal experiences of owner-managers seem to be the driving force for CSR engagement, many entrepreneurs found that CSR can be used to create value for their company as well as mitigate possible risks. The owner-managers considered the sustainability trend to continue to grow in the future and to gain further importance, thus introducing CSR practices was a way to mitigate the possible risk of the future requirements of companies. Similarly, by avoiding risks, the owner-managers expected their sustainability actions and investment to pay off in the long-run.

“The trend is quite clear, where we are going in terms of emissions, so there is no need to justify it [...] and that’s what I hope for, when we are forerunners in this, eventually it will start paying off.” (SME 5)

“So, in a way the customers that get selected, these customers appreciate responsible values, so, in the long run those companies that operate responsibly will succeed. That’s my guess, I hope I’m right!” (SME 4)

The lack of resources limits the creation of formal CSR strategy, however, it pushes the SMEs to look for strategic approach that differentiates them from the competition (Elford & Daub, 2019). The companies mainly had no formalised activities related to CSR. Some of the companies had measurements related to emissions or recycling, while others utilised certificates, but proper formalised CSR activities or written reports were not considered necessary. As written reports or other formalised CSR activities do not generally provide any value for the companies, companies continue to follow the informal nature of management that is common for SMEs (Fassin, 2008), which incorporates that CSR should be embedded in the company culture and “come naturally” (Jenkins, 2006).

“It’s in our company’s core genes that it operates on a sustainable basis.” (SME 2)

All interviewed owner-managers expressed that CSR was part of their company DNA. Thus, the owner-managers felt that they are doing the right thing, as they have integrated CSR to their companies and didn't therefore require to think of their CSR activities as add-ons.

"The so-called bright ecological perspective may not be the culmination of our responsibility, because our operation is already based on the fact that we operate in an ecologically sustainable way and we don't have to think about it." (SME 2)

"We don't have to change our operation much, as it (sustainability) has been a part of it from the beginning." (SME 1)

Thus, it was evident that all of the interviewed owner-managers felt it was important to "do the right thing" within their personal and business actions. While this stemmed mainly from the personal values, it was further considered to mitigate possible risks in the future. Moreover, as the CSR was integrated to the company's core, it assisted the owner-managers to act responsible without having to introduce excessive practices that require time and money.

The results on the owner-managers' contextual experience emphasises the previous understanding of how the SME context and the owner-managers personal views influence the CSR engagement. While the owner-managers personal views on responsibility were seen to motivate CSR engagement, the size of the company and its resources were further seen to influence the way companies approach CSR. While these reflect to the pre-understanding of the theory (ex. Jenkins, 2006; Vo, 2011; Elford & Daub, 2019), the study further emphasises the importance of CSR and responsibility in the partner or customer companies of the SMEs. It was evident that for the SMEs that value responsibility, require their partner or customer companies to have similar values. Furthermore, the results highlight that due to the resource scarcity, the SMEs integrate the CSR activities to their core, as in this way they are not seen as additional entities, but part of the business model. In this way, they are able act responsible without having to pay extensive attention to their CSR activities. Going against the previous understanding of SMEs, the results emphasise the importance of

formal measures or reports of CSR also in SMEs. Due to the partnerships and customers of larger companies, formal measures were considered by some important to keep their competitive advantage in the industry and to know their responsibilities are not “stained” by the actions of others.

4.2 Managing paradoxical tensions in CSR

Companies face tensions in their business context in various areas that influence their decision-making and strategy building. Tensions in CSR arise when one of the dimensions is affected positively, while having a negative effect in another dimension. As the purpose of companies is to generate profits for their shareholders (Limited Liability Companies Act, 21.7.2006/624 5 §), many companies engage in CSR practices that increase their costs without necessarily increasing profits. Thus, tensions are innate to many CSR practices. The interviewed owner-managers were able to clearly identify that tensions manifested between the competing goals of economic, environmental and social dimensions, yet owner-managers struggled in grasping other CSR related tensions that were not as obvious. These tensions were mostly related to the origins of the CSR tensions that stemmed from tensions between personal, firm and industry agendas as well as short-term needs versus long-term thinking.

While previous research has focused on the business case approach to the tensions in CSR (Margolis & Walsh, 2003), the interviews revealed that as CSR is integrated to the business model of the SMEs, they tend to follow an integrated approach to managing tensions in CSR, where a balance between the three dimensions is sought after. The owner-managers were able to recognise that tensions manifest in CSR and had varying approaches to the tensions. While for other owner-managers it was easy to acknowledge the opposing yet interrelated sustainability goals, others were more reluctant to acknowledge the paradoxical tensions. However, the interviews exposed that the owner-managers faced paradoxical tension in their CSR engagement, where the competing sustainability aspects could not be balanced.

While some situations were approached and managed from the trade-off perspective, the owner-managers expressed that they try to balance the CSR tensions they face. When faced with tensions related to CSR, the interviewed owner-managers

approached and managed tensions in some situations by trying to find a balance between the dimensions. This was done mainly by integrating CSR to the company's strategy and weighing the dimensions and their outcomes in order to find a suitable approach to the possible tension.

"It's always a balancing question, which is cheaper, to use our manpower and reuse products, compared to purchasing a Chinese component directly. It's always a battle between the choices, but we have that social sustainability in this. [...] So, the aim is to have a positive result for everyone, not that it's positive for one and negative for the others. It's part of our chain of responsibility, so to speak." (SME 2)

The owner-managers mainly discussed the integrative approach to tensions and pursued for a balance between the dimensions. In this thesis, the integrative approach is considered a part of the paradox approach, as even if the CSR is integrated to the company, the owner-managers will face paradoxical tensions as they are not willing to emphasise one dimension over the other. In this sense, when the owner-managers face contradictions between the CSR goals, they accept those tensions and move to producing mutually advantageous practices and arrangements (Hargrave & Van de Ven, 2017). Thus, the results on the tensions in CSR focus on the paradox approach that emerged in the interviews.

4.2.1 Paradox approach to tensions

The interviews displayed that the owner-managers were confronted by paradoxical tension in CSR by having to manage conflicting sustainability goals and achieving competing objectives in the three dimensions simultaneously (Hahn et al., 2015; Hahn et al., 2018). The paradox approach to tensions was taken in situations where the tension manifested in competing goals of economic prosperity and environmental or social goals. These mainly related to different levels between individual, social and industry goals and requirements, where conflicts stemmed in the opposing goals of different actors or operating in industries were considered irresponsible. Furthermore, tensions reflected to the short-term versus long-term decision making, where the SME

context created paradoxes between the short-term economic needs and long-term social or environmental impacts.

Most owner-managers were able to form their strategies according to their personal views and allocate money in a way they see fit, with one of the owner-managers summarizing *“I am the strategy, so there is no conflict”*. In the SME context, the personal and company agendas seem to intertwine and reflect each other in the decision-making. Thus, only few of the interviewees found tensions manifesting between the individual and the company goals. However, one of the owner-manager expressed the want to do much more in relation to CSR practices, yet it conflicted with their company goals.

“Then there is that, our goal is to make a profit and succeed. [...] It is in conflict with what we are trying to do...to be responsible. It’s always terrible, that we need to have such discount days. There is always that tension, we want to sell responsibly and out of need, but we still have to do such events that accelerates sales.” (SME 1)

They further stated that due to the SME context and being a small company, the resource restrictions creates tensions between the personal and company goals.

“However, we are such a small company still and we would want to do so much more, but it’s necessary to do it within our economic capabilities. After all, the goal is to succeed.” (SME 1)

While tensions between personal and company agendas were not identified as easily, all the interviewed owner-managers reflected to the tensions that take place between their company and the industry in general. These tensions reflected to the network partners as well as to the industry being considered as unsustainable. Companies that operated in unsustainable industries, such as the fashion industry, were in constant conflict between trying to operate responsibly in an irresponsible industry, while not ignoring their personal values.

“According to our values, we should not sell any new products. So, there is a conflict of selling new products, but then again, if you think that the extreme is to either not sell at all and the other end is fast fashion, then we are somewhere in between.” (SME 1)

Even when companies see themselves as sustainability forerunners within their networks or industry, they may find themselves restricted by potential negative impacts of their partners (Tura et al., 2018). Thus, tensions manifest in either having to work with others that may minimize the company's CSR impact or choosing partners, customers and projects that reflect the values and mindset of the company's responsibility. Some of the owner-managers expressed that if the values of potential customers or projects did not align with their values, they felt that their goals were in conflict and thus passed on possible customers, projects or partnerships to keep their own responsibility intact.

“There has been many who have offered to become our partners, to whom we have had to then say thanks but no thanks, we do not think about these things in the same way.” (SME 3)

“We didn't bid in the situation. It was a big project, but we thought we didn't want to lose face in the long run. Although we might feel disappointed about the project, it was against our way of thinking.” (SME 4)

As Tura et al. (2018) concludes, tensions in the business networks can typically relate to potential internal resistance to change by the employees. In such situations where the other partners in the network pressure companies to introduce new concept to replace the unsustainable old practices, the change may create resistance in the employees of the company. Even when CSR engagement stemmed from personal values, the companies that operated in business networks with multiple companies introduced new practices due to external pressure of the larger companies or to keep a competitive advantage. While these changes might have had a positive impact on the companies' competitive advantage, the changes created resistance within their internal stakeholders.

“Well, when we implement new practices there is always those comments “why do we have to do this”.” (SME 2)

Thus, the changes may create paradoxes of learning, that relate to the tensions between the old and new practices, where members of the company struggle to let go of the comfort of past to introduce new practices due to the fear and uncertainty of the future (Lewis, 2000). Such tensions were found to manifest in how the change was perceived in the organisation, with some of the owner-managers expressing employees resisting the changes from irresponsible practices to more responsible ones. In such cases blame and disappointment was projected across the company's levels, with mostly workers blaming the management for the “unnecessary” changes that took place. This hinders the recognition that the extant skills, routines or understandings may have become obsolete (Lewis, 2000), thus needing new practices to continue striving as a company.

“I do not feel that the management has such thoughts, that there are tensions, but it has raised questions, whether many of these things are necessary and whether they make any sense. Such questions have come from the employees. Both strategic and responsibility related questions come from the management, so I assume they are OK with them, but then elsewhere in the company tensions may arise, such as “why do we do such things, they are not necessary for our company?”. [...] For example, changing to Neste's My Diesel, it was an awful resistance to change that we'd start using it. We needed to justify it surprisingly much. [...] In that case, the resistance came from the employees who said there is no point in doing this. It came from our old foreman, so the middle management, who resisted the change which then got caught by the rest of the employees. [...] However, I do believe that once we have overcome the initial resistance to change, we can be proud of the decision to take on a little more responsibility.” (SME 5)

Most owner-managers emphasised the importance of long-term strategies in their business decisions. However, the context of SME and limited resources forced many owner-managers to focus on the short-term economic needs in order to survive. There

was a constant act of balancing the diverging responsibilities that stemmed from the short-term economic needs and their impact on the long-term outcomes regarding specific economic, environmental and social aspects (Hahn et al., 2015).

“In our size of a company there is always tensions. For example, can we take...what size of a product development project is worth taking. If it secures the next ten years of operations, but it costs X amount of euros and the payback period is five years, then we have to think can we take on the project now or do we want to switch to an outsourced service for that.” (SME 2)

Yet, all of the interviewed owner-managers stated that while the investments to CSR practices may create tensions in their short-term economic needs, in the long-term these investments would pay off. Thus, the short-term economic investments were considered to generate profits in the future.

“We don’t assume that environmental or social responsibility would produce a positive outcome right away, but rather sometime in the future.” (SME 5)

All of the interviewed owner-managers expressed the importance of long-term decision making when it came to CSR engagement and managing the tensions created by it. The owner-managers expressed that the short-term economic restraints could be justified with the long-term environmental and social outcomes, thus creating balance between the dimensions, rather than continuing in a state of conflict.

“If you think about it, there is again that time frame perspective, that a solution in the short-term can be financially sensible but not sustainable, but again in the long-term it is not reasonable. In other words, it’s important to think about the time frame and the long-term solutions. This is how I see it, then the economic and other values are not in conflict at all.” (SME 4)

One of the companies reflected to the establishment of their business, where many of their decisions were still based on the short-term economic needs. They had realised that those decisions based on short-term needs, created issues for them in the long-term. Thus, when companies are compelled to prioritise economic needs and short-term strategies, they may create tensions further in the future and leave companies to face the same tensions they ignored in the first place.

"[...] they are not practical nor good enough and we need to renew them now. In the beginning we lacked the money as well as knowledge, so we made few bad choices. Now we need to fix them." (SME 1)

The owner-managers were able to identify the three dimensions in CSR and understand the possible tensions between the competing goals, nevertheless, many showed difficulties in accepting that their companies face these paradoxical tensions. Yet, the analysis of the interviewed data exhibited paradoxical tensions in CSR in all of interviewed SMEs. While others were able to see the changes in their environment and thus, change their practices accordingly, some of the owner-managers seemed to continue operating in the comfort of their past understanding and experiences. The owner-managers were able to witness some inconsistencies in their environment, however, they used their extant understandings of the situation and relied on their own personal perceptions when attempting to change (Lewis, 2000). It seems that the comfort of past understandings hindered the owner-managers to introduce new practices, unless they came from external pressure. Companies tends to change incrementally and when it benefits their operations (Hahn et al., 2015). The owner-managers found comfort in continuing to operate in a familiar way, even if they expressed the want to improve parts of their business and change according to the current and future requirements of the business.

"I would want to move even further to more ecological and conscious direction [...] I believe as a company we have to think about our role and the direction of the company. But I feel that I'm...this is just a nonstop product execution. [...] We have sort of

this style of a long-run and in a way, keeping things the same way.” (SME 3)

Two of the owner-managers discussed the tensions in conflicting performance demands in their operations. The paradoxes of organising relate mainly to the tensions between control and flexibility that favour an “either/or” way of thinking (Lewis, 2000). These paradoxical tensions were identified to mostly relate to conflicting performance demands, where tensions manifests in the conflicting goals of operating responsibly while maintaining an appropriate performance in the company. These types of paradoxes related further to the motives behind the company engaging in CSR, as companies try to convince their stakeholders their CSR engagement is based on intrinsic motives, rather than increasing sales or reputation (Hoffman, 2018). Especially one of the companies struggled with the paradoxical tension of organising, as they felt the pressure of having sales or discounted products while at the same time trying to sell responsibly and maintain their status as a sustainable business.

“Well, it’s always in such conflict. We basically think, or we always justify to the customer that our prices are higher than fast fashion chains, that the price is made up of this and that, and that the people making them get a proper salary and the material is good. But then comes those days that the items might be -50%. How do we justify it then?” (SME 1)

While none of the companies engaged in CSR from a business case perspective, where the environmental and social dimension are aligned to strengthen the economic dimension (Van der Byl and Slawinski, 2015), all of them expected some sort of benefits to stem from the CSR engagement sooner or later. The owner-managers expressed a belief that in the future, their investments to sustainable development would bring them competitive advantage as well as mitigate the possible risk of future sanctions. Therefore, by managing tensions in CSR in a way that does not minimise the social or environmental outcomes over economic ones, the companies are able to build enduring and sustainable practices by rethinking their basic business principles and contribute to sustainable development (Hahn et al., 2017).

“It will come little by little, but at that time I believe and hope, that the money invested will pay itself back.” (SME 5)

“Of course, the purpose of a company’s operations is to make a profit and succeed, but in a way, in the long-term competition and operations, I would believe that CSR is nonetheless a strength.”
(SME 4)

The results show that companies utilise both integrative and paradox approaches. In this sense, they try to strive for a balance between the competing demands, however if it's not possible, they move towards paradox approach, rather than ignoring the tensions created. As the companies have integrated CSR, they experience paradoxical tensions mainly in the different levels, changes and temporal frames. With the prementioned paradoxical tensions in mind, the results move to presenting the different strategies and responses taken to manage these tensions.

4.2.2 Strategies to paradoxical tension management

The management of paradoxical tensions in CSR requires companies to accept the paradoxes in the first place, in order to be able to embrace the continuously competing sustainability goals (Hoffman, 2018). It entitles an ongoing process of balancing opposing forces and moving away from the general “either/or” thinking to embracing and accepting the continuous competing sustainability goals packed with innate tensions (Lewis, 2000). The owner-managers mainly responded to the tensions that manifest in CSR by integrating CSR to their core business. They considered that it was easier to remain responsible and engage in CSR when their business incorporated a sustainable mindset that was part of the organisational culture. Most considered to be the “good guys” in their related industries as well as forerunner with CSR compared to the competition or industry as whole. However, as “actions speak louder than words”, the communication about integrated CSR may seem inferior to actions, even if stemming from extrinsic motivations (Hoffman, 2018). The bigger corporations tend to solve this potential paradox by introducing outside measurements, reporting or certificates that demonstrates that their CSR engagement is authentic. The SMEs may

not have the resources to conduct similar processes and are left to convince stakeholders that their CSR is credible in other ways.

When questioned about possible certificates, measurements or other means to exhibit that the talk is consistent with action, the owner-managers had varying answers. Three of the companies had measurements related to CSR, with one using outside consulting and the other two internal measurements. Two other companies expressed how it was important for them that their products have certain certificates but did not measure or monitor their CSR engagement in other ways. The owner-managers that did not have third-party certificates expressed that the reason for the minimal endeavour to exhibit their CSR engagement was either the lack of resources or that it didn't add any value to their company, with the owner-managers that did not measure or monitor their CSR felt the same about the measurements.

"I also don't want to put our financial resources on a certificate if it doesn't....I don't necessary want to pay tens of thousands a year for a certificate if I know we act accordingly and I can advertise that for example on our webpage." (SME 5)

"In order to act responsibly, you don't need to put a sticker on the product." (SME 4)

Two of the companies however managed tensions by proactive strategies, where they aimed to validate their engagement towards CSR by referring to third-party certificates (Daddi et al., 2018). These certificates were highly important for the two companies that operated in the clothing industry, as they promote the company's commitment to environmental and social activities as well as quality of their products. Both companies expressed that the third-party certificates demonstrated their engagement to CSR.

"Those brands are always placed on top if they have good, such as made in Finland or other good certificates. [...] All brands go through our inspection and if we feel that they don't reflect our values, we don't take them here. [...] We pay attention to what the materials are, where they are made, do they have certificates...it's

not enough to have it only for materials, but also for working conditions and other things.” (SME 1)

“Everything is organic cotton and everything has GOTS certificate. And the ones that don’t have GOTS, that type of conventional cotton, have Öko-Tex certificate and we also know very specifically our partners’ backgrounds. We know their importing countries and their partners, so our cooperation is very open, honest.” (SME 3)

Thus, it was evident that some sort of “reporting” was important for all of the companies, however it varied depending on the industry. This finding goes against the previous understanding of CSR reporting in SMEs (Fassin, 2008; Elford & Daub, 2019), with the results emphasising a growing interest in measurements, reports or certificates in SMEs.

The most commonly identified response to the paradoxical tension in CSR related to the temporal separation, where time is taken into consideration as the past or present paradoxical tensions may become harmonious in the future (Poole & Van de Ven, 1989; González-González et al., 2018). Most owner-managers considered CSR to have a growing importance in the corporate world and therefore the current investments to sustainability and the tension it created, could be resolved in the future. In this sense, the paradoxical tensions are managed by developing a timeframe in which the current tension is transformed into a future motivation (González-González et al., 2018).

“Our (CSR) activities are not motivated by money, at least not in a short-term perspective, because all of this could be done cheaper. [...] In a long-term perspective, even if the usage of Neste’s My Diesel costs us over ten thousand euros extra a year and even if it’s diesel nevertheless, it does not bring us anything in that moment, but we are doing our part to lower emissions. The trend is quite clear, where we are going in terms of emissions, so there is no need to justify it”. (SME 5)

This entitles that the undesirable past or current tensions are faced and put in a time frame perspective that assures the owner-managers of a more pleasant and hopeful future. It requires the managers to re-frame the paradoxical tensions by developing an essential process of prospective and retrospective sensemaking (González-González et al., 2018). Furthermore, companies continuously developed their CSR activities as they perceived its importance to become highlighted in the future.

“As our resources grow, we strive to take even more steps towards responsibility. If you compare to where we started, when money was what it was and we did not have enough, we couldn’t think about it that much. Such things as donations to different organisations, it couldn’t be done in the first years, at least not in this scale. It has also been developed. We have also clarified our values and talked a lot about responsible selling and how we actually operate and live as well as possible according to our values.” (SME 1)

One of the strategies to manage the paradoxical tensions in CSR was spatial separation. In order to resolve this paradox, connections between the levels need to be clarified to know how they interrelate (Poole & Van de Ven, 1989). Spatial tensions are common for large multinationals who operate in both developed and underdeveloped regions (Hahn et al., 2015), however, the interviewed owner-managers expressed spatial tensions that reflected mainly to the insignificant impact they perceived to have on larger societal issues, as well as a separation between “us and them”. Many of the owner-managers expressed that they only have control over their immediate environment and thus, cannot be a part of larger societal impacts. Therefore, the approach to paradoxical tensions in spatial frames focused on the inconsistencies between impacts of “us small ones here” and impacts of “those large ones there”. In this way, the owner-managers were able to make sense of the tensions in the different levels and manage them by focusing on the SME context where their impact was insignificant.

“If we are realistic then we are quite a small company, thus it’s difficult to influence a large sector, just because...well, maybe the

fact that it's difficult for a small company to get their voices heard. It's always much more interesting when a large company tells stories. It's always challenging, to be realistic." (SME 4)

"Well, just like any other individual. Because after all, a company is only a community of people doing work. So, as much influence as an individual's decisions has. [...] Not with the size of company as us, it's hardly possible." (SME 3)

Furthermore, some of the interviewed owner-managers demonstrated the tendency to separate themselves from the larger companies as well as the industry as whole, to move away from the tensions that are innate to their respective industries. When asked about how they fit in the clothing industry one owner-manager expressed that *"well after all, we offer you the option"*, thus emphasising their separation of the irresponsible industry. Another owner-manager expressed that the tensions in the industry relate mainly to the individual versus society, where the systems have been built in such a way that they support economic interests of individuals, rather than a collective good of the society.

"You can't say that it's impossible for the industry to operate responsibly. Individual's own preferences can be challenging from a CSR perspective. For example, we have encountered few times personal bonus systems that favour buying from third world countries. [...] When that personal bonus system supports the fact that buying from there will bring more money to the buyer, I believe a conflict is created, as we don't discuss if it's ethically correct or has the environment been taken into account." (SME 4)

However, in order to manage such tensions, the owner-manager expressed that their strategy includes contemplating the partners' or projects' sustainability aspects before starting the cooperation. In this type of proactive strategy, the tensions itself does not manifest, as they have made sure the customer or partner has similar values and operates according to certain sustainability level.

"We try in a way, when choosing customers, we try to consciously choose customers with similar values, who want to do things in the same way as we do or see things the same way as we do." (SME 4)

The results emphasise proactive strategies where tensions are managed by operating in a way that does not let the tensions emerge. Such strategies relate to third-party certificates and understanding business decisions from a temporal separation, where long-term goals are reflected to the short-term tensions, in order to remove or validate the tension. Further, to cope with the tensions, the owner-managers separated themselves from the larger companies or industry by introducing spatial separation. This assisted the managers to make sense of the tensions that manifested in different levels, thus reducing the stress related to the tension. In this sense, they accepted the tension existence and reduced its impact by separating themselves from the level of the tension.

4.2.3 Denying or justifying the tensions

All of the interviewed owner-managers were able to recognize that tensions mainly existed between the economic, environmental social dimensions. However, at the same time as the owner-managers were able to identify that tensions exist between the three dimensions, some struggled to accept or admit that the tensions would have an impact on their decision-making or other business practices. As the owner-managers considered their companies to have integrated CSR in their core operations, the innate tensions in CSR were reluctantly acknowledged by the interviewees. While some of the tensions in CSR were acknowledged and managed successfully by the owner-managers, the interviews demonstrated other coping mechanisms taken to rationalise the paradoxical tensions. When interviewing the owner-managers, some of them seemed reluctant to admit any tension in the companies regarding CSR, even if they were able to identify the possible tensions between the competing dimensions of CSR. This was evident in the way they spoke about the presence of tensions, as they mainly discussed "other" companies that might face such tensions. They reasoned that as CSR is integrated to their business model, they always operate with a sustainability mindset and therefore do not have to deal with tensions arising between the economic dimension and the environmental and social dimensions.

“We haven’t had situations where we would have to compromise and even if we would have to, we would choose sustainability first.

[...] Many industries need to compromise, even the large corporations have to compromise. We’ve built our company from small, sustainable pieces so I believe that when the foundation is good, we will endure even the windy days.” (SME 3)

“I think businesses need to compromise, of course. I don’t speak of our company, because our strength is that we have operated for so long, so we have better financial resources to operate in a certain way compared to a company that has just started.” (SME 4)

Moreover, the owner-managers coped with the paradoxical tensions in CSR by justifying and rationalising the paradox by using words such as “balance” or “integrated” to move the tensions to a level that satisfies their shareholders and stakeholders (González-González et al., 2018). In this way, managers rationalise the opposing demands by justifying or explaining the tension away by reflecting to a particular company concept (Margolis & Walsh, 2003), in this case as “integrated CSR”. All of the interviewed owner-managers reflected to their CSR engagement to be integrated to their core business, creating the impression that the companies have flawless and pure core and therefore, the tensions do not concern them.

“I don’t see a problem in it, we reconcile them in our own style every time and then if there are situations where something is in conflict, we choose in the order in which they appear in the terms of the company’s sustainability.” (SME 2)

“We have never ever primarily sought for financial benefits, we have always gone with quality and harmony as our primary objective. [...] Our responsibility as actor and professional in the field is very deep and great in our daily lives.” (SME 3)

Thus, as companies try to search for consistency in their operations, they rationalise and simplify the paradoxical realities they operate in to take control of the process of dealing with the paradoxes of CSR (González-González et al., 2018). Many of the

owner-managers used phrases to minimise or soften the paradoxical tensions manifesting in CSR. This type of covering up is used to overcome the paradoxical tensions that are innate to CSR by discussing “the little things” the companies do and communicating about the integrated CSR. In this way, companies promote new concepts and constructs, that evolve CSR in new directions without actually creating solutions to the old problems (González-González et al., 2018).

5 DISCUSSION AND CONCLUSION

The final chapter of this thesis discusses the main findings of the study. Firstly, the key findings are discussed and presented by reflecting them to the theoretical understanding of the study. The findings are discussed by first displaying the owner-managers contextual experiences, which exhibit the importance of internal drive of the owner-managers to engage in CSR as well as the SME context. After that, I present the main findings of the paradoxical approach and management of tensions in CSR. Secondly, the managerial implications that assist managers to improve their activities when faced with tensions are presented. Once the theoretical and managerial contributions have been presented, the study is concluded with the research limitations as well as the emerged opportunities for future research.

5.1 Discussing the findings

This study explored what types of tensions manifest in CSR of Finnish SMEs as well as how these tensions are perceived and managed by the owner-managers. The previous research of tensions in CSR has been mainly encountered from a business case approach, where CSR activities enhance the economic capabilities of the firm (Van der By & Slawinski, 2015). However, as paradoxical tensions are innate to CSR, the business case approach does not provide adequate answers on how managers experience and manage these paradoxical tensions (Margolis & Walsh, 2003). Academics have recently awakened to the challenging nature of CSR and moved to understand how companies manage tensions in CSR. The studies have mainly reflected on large corporations with very few studies conducted from the SME perspective or moreover, in the Finnish setting. As SMEs are not required to disclose their CSR engagement nor do any formal reporting, it has not been clear what types of tensions are encountered in SMEs or what type of approach and management style is used to deal with these tensions.

Thus, the research questions of the study were as follows: *“What types of tensions emerge as a result of engaging in CSR practices in Finnish SMEs?”* and *“How are the paradoxical tensions experienced and managed by owner-managers?”*. With these questions and the research gap in mind, the findings of the study illustrate what types

of tensions emerge when Finnish SMEs engage in CSR activities and further, how those tensions are experienced and managed by the owner-managers of the companies.

The study identifies various factors that affected the formation of the company's CSR strategy and activities. The study contributed to the previous theoretical understanding of SME engagement in CSR by analysing what drives as well as hinders SMEs' CSR activities. The informal CSR activities of the interviewed SMEs were heavily influenced by the owner-managers personal values, which drove the implementation of CSR activities to the company's operations, as previous studies have suggested (Jenkins, 2006; Elford & Daub, 2019). The personal values of the owner-managers influenced the way resources were allocated within the firm and how decisions were made. The decisions related to environmental and social aspects stemmed from the owner-managers' past experiences and the importance of being a responsible person both in personal and professional lives. This means that the companies' CSR activities were a reflection of the owner-managers' personal values and moral and therefore, their sense of responsibility shaped the way the company engaged in CSR activities. In the SME setting, the owner-manager has a lot of control of the decision-making (Vo 2011), thus explaining the importance of an internal initiative to implement CSR activities to the firm.

The competing demands and the limited resources caused SMEs to struggle to integrate CSR comprehensively, as they were constantly exposed to interrelated yet competing demands between the traditional triad of economic, social and environmental issues. The size of the company and its limited resources were considered to hinder the possibilities to tackle sustainability related issues, as the companies had to consider the economic capabilities and operate in a constant stress of allocating resources in order to survive and further strive as business. This made it necessary for the owner-managers to focus on the economic perspective and align their CSR activities to the economic capabilities of the company, as evident in previous studies (Vo, 2011; Elford & Daub, 2019). Furthermore, while the owner-managers in the SME context had a lot of freedom to operate their business according to their own perspectives, they also had to consider how they allocate another important resource – time. As the owner-managers were busy managing the daily operations, many felt that

the scarcity of time did not allow them to comprehensively focus on CSR activities in the way they wanted to.

Thus, one finding of this study reflects on how the owner-managers of SMEs experience internal CSR tensions between their personal values and their responsibilities within the company. As the resource stress influenced the management as well as the CSR engagement of the company, the owner-managers had to prioritise certain responsibilities to maintain a level of operations that kept the business going. In this sense, the owner-managers were constantly faced with competing goals that created challenging circumstances for the owner-managers to strategize in. This reflects to the first research question by demonstrating that due to the SME context, owner-managers face tensions between their personal and company goals.

While the limited resources and the owner-managers personal values shaped the CSR engagement of SMEs as recognised in previous studies, one of the main findings in this research focuses on the past theoretical understanding of SMEs informal CSR strategy. The previous understanding of SME management concludes that SMEs should follow an informal nature of management, where CSR related activities are not required to be formally reported or measured (Jenkins, 2006; Fassin, 2008). The informal nature of SMEs influences the way companies encounter CSR activities and formal CSR strategies have not been considered necessary for SMEs (Elford & Daub, 2019). However, as the European Union has introduced laws for large corporations to disclose their CSR activities (European Commission, 2020b) and many large corporation have further strengthened their ethical codes of conducts, this has trickled down to the SMEs who partner with or have customers that are required to disclose their CSR related activities. The companies that operated in such business networks had introduced formal measurements and reports in order to stay competitive and be capable of providing the information to the companies that required them. While this was not necessary for all of the interviewed companies, it was evident that certain type of reporting, monitoring or measuring of CSR activities are becoming essential for SMEs in particular settings. Furthermore, the owner-managers expressed a belief that such measurements or reports will become even more crucial in the future and thus, their investments to such measures will pay off.

The theoretical understanding builds upon the recognition that tensions are innate to CSR and in order to comprehensively integrate CSR into the company, it requires a paradox approach to the tensions, in which the interrelated yet conflicting economic, environmental and social goals are accepted and embraced without emphasising one dimensions over another (WCED, 1987; Hahn et al., 2015; Van der Byl & Slawinski, 2015). All of the interviewed owner-managers discussed their CSR to be integrated to the core business, which guided them to act in a responsible way. The integrated CSR supported the companies to operate in a responsible way, without having to consider their CSR engagements extensively. I would argue that the Finnish welfare state is an enabler for the easiness of integrative CSR, as many of the responsibilities are handled by the state and rules and regulations towards environmental protection and social justice are in place and further embedded in the culture. This allows Finnish companies to focus on different style of CSR than other regions, and thus many managers may feel that their companies are responsible already without excessive CSR engagement. Many of the owner-managers expressed that they strived for a balance between the competing dimensions, to make sure that the impacts on the different dimensions were positive. The integrative approach to managing tensions stemmed mainly from the SME context where resources were scarce. The owner-managers reflected that they were constantly having to balance the social and environmental dimensions to the economic one, in order to maintain a certain level of operation and cash flow.

Furthermore, as SMEs often lack specific specialists or experts, since employees as well as the owner-managers have multiple functions within the company (Elford & Daub, 2019), the owner-managers operate in a setting where focusing solely on CSR engagement is not possible. The lack of time demands owner-managers to focus on the daily operations and other tasks, thus leaving fairly little time to engage in CSR or the innate tensions that manifest in it. Therefore, the results suggest that as the integrative approach can be efficiently incorporated to the SME context that faces resource scarcity, many owner-managers considered this the preferred approach to CSR engagement and managing tensions. However, the existing knowledge on integrative approach offers very little practical guidance on how to address and manage tensions (Van der Byl & Slawinski, 2015), as tensions are not consistently possible to balance due to their contradictory goals. Therefore, in this thesis the integrative approach was understood as a part of the paradox approach, as by integrating CSR to

the company's core operations, it's impossible to not face tensions that are innate to CSR. This builds on the questions presented by Van der Byl and Slawinski (2015) on how to address and manage tensions from the integrative approach. This thesis moves from understanding integrative approach as its own theoretical concept to a more comprehensive understanding of the paradox perspective. In this sense, integrative approach is a part of paradox approach, as while companies strive for balance between the dimensions, this is not always possible, thus requiring the usage of a different approach to the tension. As the companies are not using a win-win or trade-off approach to manage tensions, they are required to introduce a paradox approach to their decision-making to make sense of the contradictory goals of CSR. Thus, this finding reflects to the second research question of how paradoxical tensions are managed by owner-managers of Finnish SMEs.

To answer the first research question, this study emphasises the work by Hahn et al (2015), by using their systematic framework to analyse the tensions in CSR. As Hahn et al. (2015) determine, paradoxical tensions manifest between the three traditional dimensions that consist of different levels, entail change process or operate in conflicting temporal or spatial frames. The paradoxical tensions that the interviewed owner-managers of Finnish SMEs encountered were mainly found to manifest between the individual or company goals and the industry in general, in the change processes towards more responsible practices, in conflicting performance demands and in long-term versus short-term strategizing. In such cases, a balance between the competing objectives could not be reached, thus requiring the managers to strive for a paradox approach to tensions, rather than the desired integrative approach. Thus, one result of this study is the confirmation that CSR paradoxes exist in the Finnish SME setting and they manifest in levels, change and context (Hahn et al., 2015). The results suggest, that especially SMEs operating in environmentally or socially pressured industries encounter paradoxical tensions, as the elements are interrelated and at the same time contradictory.

Furthermore, this thesis answers the second research question by identifying the different management styles and responses to paradoxical tensions. There were three main management styles that the SMEs adopted to manage paradoxical tensions in CSR: acceptance, proactive strategies and denying or justifying the paradox. The

strategies used to manage the paradoxical tensions ranged from accepting the paradox to total avoidance, as well as using proactive strategies, with similar management styles being evident in other studies (Daddi et al., 2018; González-González et al., 2018; Hoffman, 2018).

In order to manage the paradoxical tensions, the first step is to accept and embrace that the paradox exists (Hoffman, 2018). The acceptance of the paradox encourages the companies to live with the paradox, where possible vicious cycles are avoided (Lewis, 2000). The companies that operated in “irresponsible” industries were more able to identify and accept the paradoxes, as they faced more social and environmental pressure compared to the other companies. These owner-managers expressed the tensions to manifest between the conflicting objectives of personal values, company goals and industry requirements or impacts, as well as the conflicting performance demands. As they were able to accept that the tensions manifest in the different levels and performing demands, it brought some easiness to the owner-managers as they were able to reduce the social strain of the tensions and introduce new opportunities for CSR. The study highlights that the companies which accepted the competing demands of CSR were more inclined to accept changes and introduce new practices that embraced sustainability, rather than avoiding or ignoring the innate tensions in CSR. This was evident in the companies that expressed an accepting mindset to the tensions as they constantly kept developing themselves towards more responsible and sustainable practices.

The proactive strategies to manage paradoxes related mainly to the temporal separation, where time is taken into account (Poole & Van de Ven, 1989; González-González et al., 2018) and usage of third-party certificates to validate the CSR engagement (Daddi et al., 2018). The external communication of CSR was used to promote the company’s social or environmental commitments by using third-party certificates. As the communication of CSR is considered somewhat inferior to the actions taken (Hoffman, 2018), the companies considered managing the possible tensions by introducing certificates that demonstrates their engagement to CSR. The most commonly referred strategy to manage paradoxes related to the temporal separation. In this response, the past and current tensions are managed by developing an essential process of prospective and retrospective sensemaking that emphasise the

transformation of tensions into future motivations (González-González et al., 2018). The tensions are managed by accepting and embracing their current conflicting demands, that when put in a timeframe will provide a harmonious future. The owner-managers expressed that managing the tensions between the competing goals of the three dimensions can be resolved by introducing a temporal mindset that emphasises the long-term impacts of the current actions. Thus, the study emphasises that to manage paradoxical tensions in CSR, Finnish SMEs adopt proactive strategies to reduce the occurrence or prevent the tension from manifesting.

Nevertheless, the results highlight that due to the impact to their core business, some owner-managers were reluctant to acknowledge the tensions that are innate to CSR. While for other owner-managers it was easy to discuss about the conflicting demands and paradoxical tensions that are innate to CSR, others were more defensive of their CSR engagement. The spatial separation was considered a common way to encounter CSR paradoxes as it minimised the companies' involvement in conflicting demands. The results highlighted that companies coped with the paradoxical conflicts by differentiating themselves as "us small ones here" and "those large ones there", in order to manage the tensions manifesting in the conflicting organisational aspects. Few of the owner-managers seemed to deny the existence of paradoxical tensions, at least in their companies. While they may have believed such tensions to exist in other firms, they did not acknowledge that such tensions were part of their CSR activities nor manifested in their companies.

Furthermore, the results revealed that companies rationalise or cover up tensions by using phrases such as "balanced or integrated CSR" or "CSR is in our DNA", to move the paradoxical tension to a level where arguments satisfy the different stakeholder and shareholders, and further softens or minimises the paradoxical tension (González-González et al., 2018). In this sense, companies try to justify the paradoxical nature of CSR by convincing themselves and others that tensions are not created as the companies operate in a responsible and sustainable way already. Therefore, the results highlight that some companies manage the paradoxical tensions in CSR by denying their existence or justifying and covering up the tension.

5.1.1 Concluding remarks

This study contributes and advances the theoretical understanding of the tensions in corporate social responsibility, specifically in the Finnish small and medium sized enterprises. The study contributes firstly to understanding what types of tensions emerge when engaging in CSR in Finnish SMEs and what characteristics of the SME contribute as well as diminishes the engagement. The study recognises the current understanding of drivers and barriers of CSR engagement, with further emphasis on the trickle-down effect of larger organisations' requirements to disclose CSR activities to the SMEs who partner with or have such companies as customers. The study unveiled that while such formal measures are not required by all SMEs, they have become more significant for industries with excessive networks, going against the existing knowledge on SMEs' CSR engagement and informal management style. Moreover, as SMEs are faced with resource scarcity, the study suggests that an integrative approach to managing tensions is considered optimal as such integration does not require additional funds or time to be invested in CSR activities in the SMEs.

However, as the integrative approach does not reflect on how paradoxical tensions are managed, the emerging paradox approach on corporate social responsibility requires that companies address simultaneously interrelated yet conflicting economic, social and environmental goals, without prioritising one dimensions over another (Van der Byl & Slawinski, 2015). Thus, this study concludes that the integrative approach should be considered a part of the paradox approach, as it requires paradoxical thinking in situations where a balance is not possible, and managers need to rethink their approaches. As the existing studies have largely focused on larger corporations, this research advances the understanding of tensions that manifests in SMEs' CSR engagement. The study highlights that even due to the differences between large and small companies, tension in CSR occur in all types of companies, depending on the approach they take. The SMEs that integrate CSR to their companies, rather than use it as an additional entity to maximise profits, will face tensions and require to introduce a paradox perspective to these tensions in order to continue to operate in a sustainable way.

The study contributes to the findings of Hahn et al. (2015) suggesting that tensions emerge between the traditional triad of CSR as well as on different levels, in the changes that take place and operate in temporal and spatial frames. The most commonly emerging tensions related to the level and temporal frames, where tensions manifested in the competing goals between individual, company or industry as well as long-term versus short-term goals. Furthermore, the findings reveal varying management approaches to tensions. Some companies demonstrate acceptance of tensions by developing and changing their practices to more responsible ones, and some on the other hand denied the existence of paradoxes by minimising and distracting the tensions, in order to cope with the paradoxical nature of CSR. The companies that demonstrated acceptance were evidently more likely to face contradictory goals and required to strive for synergy between the goals, which they also did. The owner-managers that denied or justified the existence of paradoxes, considered to be sustainable and responsible due to their integrated CSR, however, were reluctant to admit that paradoxes exist within their goals. This study further confirms and advances to the findings of Daddi et al. (2018) by demonstrating successful management of paradoxes by using proactive strategies of temporal separation and third-party certificates. Proactive strategies were found to be responses to paradoxical tensions used by all of the interviewed owner-managers.

5.2 Managerial implications

While the study's theoretical contributions are more predominant, there are multiple managerial implications as well. Firstly, the study gives insight into the contextual drivers and barriers of SMEs engaging in CSR, with highlighting the importance of formal CSR reports or measures for companies that operate in business networks with larger companies. For such firms, the findings suggest the importance of formal measures that can advance the competitive advantage of the firm when competing for the partnerships with larger corporations. Moreover, the findings highlight the importance of assessing the CSR practises of the possible partners and customers, as it became evident that all owner-managers paid attention to the CSR practices of their partners and customers.

From a managerial perspective, this study aimed to illustrate the types of CSR tensions managers face that are prevailing in the SME setting, and further how CSR engagement can create tensions in the SMEs. This can assist managers to understand that tensions are innate to CSR and can create unfavourable impacts on things such as cost of operations or face resistance from internal stakeholders. As the study contributes to the findings of Hahn et al. (2015), it may assist managers to further understand where the tensions in CSR manifest and clarify the relationship between the different levels, change processes and temporal and spatial frames. Furthermore, the study emphasises that for CSR to be successful and integrated to the company's operations, it requires for the owner-manager of the SME to have at least to some extent an internal motivation that drives the CSR engagement within the firm.

The results of this study have revealed that managers should not try to deny or ignore the conflicts and inconsistencies in CSR but to accept these tensions in order to break free from the constraints of CSR engagement. Once the paradoxical reality of CSR is accepted, it is easier for the companies to tackle the possible inconsistencies that are part of the organisational reality. When taking a paradox approach to managing tensions, managers are able to use the tensions as an encouragement for creating innovative new practices that advance the sustainable development on a larger societal level as well as to develop the company towards more responsible practices. In this sense, managers should move away from the defensive approaches to tensions, as the acceptance of the paradoxes in CSR can introduce real opportunities, which can be hidden if the tensions are not encountered.

5.3 Limitations and suggestions for further research

Due to the study being based on a limited number of companies, it naturally encounters limitations, however, it also opens up potential avenues for future research. Firstly, due to unfortunate events of the corona pandemic some of the owner-managers cancelled the interviews and thus, only five SMEs joined the study. A larger number of interviews may have provided additional data or strengthened some of the findings of this study. Moreover, as the companies were mainly from different industries, specifying the study to a certain industry may have provided more explicit answer to what types of tensions manifest in the Finnish SMEs of that field and how these are

experienced and managed by the companies. Future studies could thus focus on specific industries or companies in order to receive a more exclusive set of data.

The timeframe in which the empirical research was concluded was quite short. In order to get more comprehensive understanding of the tensions that the owner-managers of SMEs experience and manage, I would suggest a two-round interview process in order to examine the tensions on a deeper level. As the topic was considerably difficult for many of the owner-managers to grasp, a two-round interview process could have opened up the tensions in a way that was not possible due to the limitation of time. Moreover, due to the complexity of the topic, future research could emphasise a longer research setting, where the different tensions and how they evolve could be investigated. Furthermore, an interesting perspective to analysing paradoxical tension emerge mid-way of the thesis: the Hegelian dialectics perspective to managing tension. As the thesis was at this point already taken the paradox approach, the research was not able to utilise this theoretical understanding, however especially in companies that have operated for a longer time, it would be an interesting perspective to study the paradoxical tensions in CSR further.

Lastly, while the decision to include only Finnish companies in the study was intentional, the findings can be extended to other similar regions. Similar studies can be conducted in other Nordic countries due to their similarities in the political-economic institutions and cultural-ideological values that the Nordic governments and companies share (Gjølberg, 2010), creating opportunities for wider research on the topics. In this study, the organisational culture and the Finnish welfare state influence heavily the way the interviewed actors perceive CSR as well as how CSR was perceived by the researcher. Related to this, one of the limitations of the study concerns the companies' location within Finland, as most operate from the Northern Ostrobothnia region, thus skewing the understanding of "Finnish setting". Companies from other regions may have provided additional themes that were not raised by the interviewed owner-managers. Thus, future studies should focus on a sample size that takes different regions into consideration. Another interesting future research possibility would be to investigate if the Finnish (or Nordic) welfare state influences the CSR tensions and their management when compared with other regions and their

culture, as it was evident through the theoretical building that the Finnish institutional system and culture were important drivers of CSR engagement.

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APPENDIX

INTERVIEW QUESTIONS/STRUCTURE:

GENERAL:

1. Who are you and what is your position in the company? What are your main responsibilities/tasks?
2. What does the company do?
3. What are your company's values?

CSR:

1. What does the concept of CSR mean to you personally?
2. What does CSR mean to you in relation to your business?
3. Why do you engage in CSR related activities? What is the motivation?
4. Does your company have clear CSR strategy?
 - a. If yes, what are the key objectives/goals?
 - b. Have you joined any international or local CSR initiatives / do you have any certificates (GRI, UN Global Compact, FIBS, Avainlippu, Joutsenmerkki)?
 - c. Do you use any reporting/measurements of CSR?
5. What are your main challenges in terms of CSR?
6. What are your main benefits in terms of CSR?

BUSINESS CASE & TRADE-OFF & INTEGRATED:

1. Has there been situations when an environmental or social issue was prioritized, and it had a positive effect on financial performance?
2. Has there been situations when an environmental or social issue was compromised in order to perform financially better?
3. Has there been a time when an environmental, social or economic goal has been chosen over the other?
4. Do you believe you can either address social and environmental needs OR profit needs?
5. Do you believe there is a balance between economic, environmental and social needs?

PARADOX:

1. Do you believe the company can address economic, environmental and social issues simultaneously? Why or why not?
2. Does your company have CSR related activities that do not have any immediate effect to your business?
3. Do you think there are some tensions between your company's business strategy and your CSR policies?
 - a. What type of tensions?
 - b. How do you confront those tensions?

TENSIONS:

1. Has there been situations where you wanted to confront an environmental or social issue, but it conflicted with the company's strategy or goal?
2. Has there been situations where you or your company wanted to confront an environmental or social issue, but it conflicted with the industry/customer/key partners standards/approach/wants?
3. Do you follow the industry's/sector's approach to CSR? How does your company's CSR approach differ?
4. The CSR related activities your company engages in, do you believe they have an impact on wider societal issues?
5. Have you changed your company norms, strategy or operations to introduce more responsible practices? How did this change affect the company?
6. Have you introduced new practices reacted to CSR that might have influenced the efficiency of the company? How were these tensions related to change managed?
7. Does your company's strategy consider how the current behaviour impacts the future? Does your company rely more on short-term strategy or long-term strategy?
8. Has there been situations where the short-term economic goals were in conflict with the long-term environmental or social goals?
9. If the company operates internationally: has there been situations where the local environmental or social standards drastically differ from the other region's standards?